Annual Report

EP **Commodities**

2019

This version of the Annual Report is a translation from the original which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original.

However, in all matters of interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over this translation.

Annual Report/ 2019

EP Commodities

Content

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Introduction by the Chairman of the Board of Directors

Dear shareholders, business partners and colleagues

I am pleased to present to you the Annual Report of EP Commodities, a.s. ("EPC") for 2019. We have another successful year behind us with significant growth in volumes, sales, and profit. The company's growth and stability are also confirmed by strong business relationships with more than 80 European energy companies. Our ability to thoroughly assess the situation and promptly adapt to it ensures immediate market access to every new group acquisition. In this regard, we follow our long-term strategy to be an important European player in energy commodities trading and provide support to Energetický a průmyslový holding ("EPH") in market access, optimization, and other functions. The growth of the EPH group, which is gradually becoming one of the most important electricity producers in the European Union, helps us to fulfil the idea. Increasing the loyalty and satisfaction of our business partners and employees is the company's primary principle, enabling us to achieve excellent financial results in a long run and to succeed in a challenging market environment.

“

In 2019, EPC generated revenues of more than CZK 80 billion, showing a year-on-year 43% increase.

Miroslav Haško
Chairman of the Board of Directors

Consistent growth in trading and profit

EPC achieved a very strong financial performance in 2019. Expansion of our internal infrastructure and opening of new markets supported our growth over time. We also benefited from disciplined and responsible approach to risk management in all aspects of our business.

In 2019, EPC generated revenues of more than CZK 80 billion, showing a year-on-year 43% increase, and net profit of almost CZK 396 million, 25% year-on-year increase. Considering trading operating indicators for 2019, EPC purchased and sold more than 224 TWh of natural gas. By providing market access for power plants in France, EPC increased the volume of traded electricity by more than third to 93 TWh in 2019.

An annual increase was also in the volume of carbon emissions allowances when EPC traded up to 94 million tonnes, which is an increase of 21% compared to the previous year. In addition to structured products, EPC entered into option transactions allowing it to hedge the full value of some of EPH's group power plants.

Expansion of services for the group and future outlooks

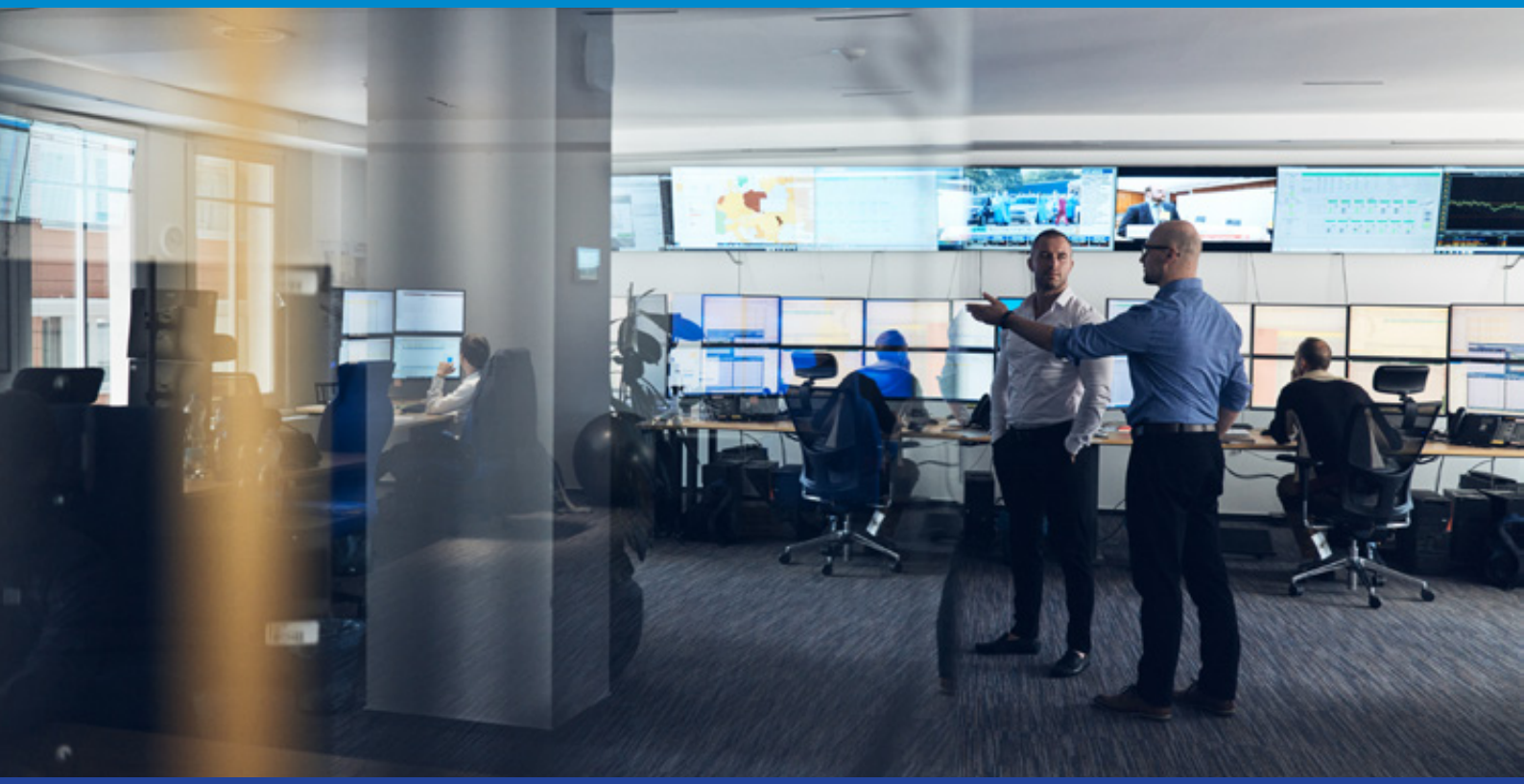
Although we know most of the Western and Central European markets well, entering the French market in 2019 was a new experience for us. Our main task was to provide asset optimization and market access for the new company Gazel in the EPH group, which supplies electricity and gas to end customers in France and ensures the production of electricity with a total installed capacity of more than 2.3 GW, including biomass, solar and wind power plants. This confirmed that the building of a centre for asset optimization, dispatching, and short-term trading was a step in the right direction. Thanks to this centre, EPC would be in much better position to provide support and additional services within other countries.

Our people are a key asset and a strength of the company. Their skills, expertise and commitment are and will be the cornerstone of our success. Therefore, one of main goals of EPC is to retain and attract the best talent as we still believe that there is further room for new opportunities and improvement of current EPC's activities.

At last, I would like to thank all employees, shareholders, and business partners for their involvement in fulfilling our strategy. Their cooperation and support helped us perform our business activities. We are grateful to all of you for our success in 2019.

Prague, 30 June 2020

Miroslav Haško
Chairman of the Board of Directors



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Company Profile

Company Profile

EP Commodities, a.s. is a joint-stock company specialising in trading in energy commodities, which mainly involves whole-sale transactions with natural gas, electricity, emission allowances, coal (financially) and other products throughout the European regions.

The Company is part of the Energetický a průmyslový holding, a.s. (EPH) group, which is a leading Central European energy group that owns and operates facilities in the Czech Republic, Slovakia, Germany, Italy, Great Britain, Hungary, Ireland and France.

As a trading company, we bring EPH companies significant synergy effects in market access, overall sourcing efficiency, sales of production or asset optimization.

EP Commodities, a.s. primarily focuses on countries in which the EPH group has its own assets or whose liquidity enables effective trading. In addition to the physical and financial securing of assets for the EPH group, it also performs sourcing of the end customer portfolios in selected countries. We navigate the challenging waters of the often volatile and highly competitive market environment with agility. Our ability to thoroughly assess the situation and promptly adapt to it ensures immediate market access to every new group acquisition.

EP Commodities, a.s. has experienced significant growth in volumes, revenues, and profits, as well as an increase in the number of transactions and counterparties ever since the trading company was established. Increasing volumes of sales on year–to–year basis and creating a solid partnership with more than eighty European energy companies proves the resilience of our business model.

Energy commodities trading

real

- Physical
- Financial

where

- Organized market (Exchange)
- Over-the-counter (OTC)

purpose

- Speculation
- Hedging
- Sourcing
- Optimization

what

- Power
- Gas
- Emissions
- Hard Coal
- Oil

how

- Spot
- Forward / Future
- Structured Products
- Options
- Swaps

Timeline

2014

EP Commodities was founded

2015

Start of Gas trading (16 TWh), 4 employees

2016

Start of power trading. Start of asset optimization project. 16 employees

2017

Geographical expansion. New markets (HU, UK)

Gas	104 TWh
Power	36 TWh
EUA	49 mln t
👤	45

2018

Asset optimization unit running for power plants in Germany

Revenues	56,8 bn CZK
EBITDA*	375 mln CZK
Gas	132 TWh
Power	67 TWh
EUA	78 mln t
👤	56

2019

Start of optimization for power plants in France. Trading in France

Revenues	81,0 bn CZK
EBITDA*	485 mln CZK
Gas	224 TWh
Power	93 TWh
EUA	94 mln t
👤	70

* EBITDA = Profit before income tax + interest expenses – interest income + depreciation and amortisation + taxes and charges

Commodity trading

The company follows EPH activities across Europe and mainly trades power, gas, and emission allowances.

Sourcing

This department is responsible of sourcing of gas and power for the porfolio of final customers in Czech Republic (EP Energy Trading, a. s.), Slovakia (Stredoslovenská energetika, a. s.) and France (Gazel Energie Generation S.A.S. and Gazel Energie Solutions S.A.S.). EPC is sourcing gas also for EP Produzione and BERT, companies within the Group in Italy and Hungary, respectively.

Proprietary

Trading in EPC consists of trading in power, gas, and emission allowances, possibly also financially in other commodities, such as coal and oil. A significant part of company's portfolio consists of gas storages, cross-border capacities, physical flows and providing flexibility throughout the region. Power trading is mainly following the activities of the Group. EPC is currently active in United Kingdom, Czech Republic, Slovakia, Germany, Italy, Hungary, and France.

Hedging

Activities cover hedging of Italian and French power plants, market execution of trades for LEAG, Czech power plants and UK assets.

Asset Optimization

The Asset Optimization unit focusses on periods from intra-month down to intraday and physical delivery.

Short Term Optimization

Department is responsible for optimization of power plants running on a short-term basis and the bidding strategy for power and ancillary services. Currently it is provided to LEAG in Germany and Gazel in France.

Dispatch

Team performs its tasks on 24/7 basis to optimize the output of power plants portfolio on intraday basis, manage outages and redispatch requests from the Transmission system operator (TSO).

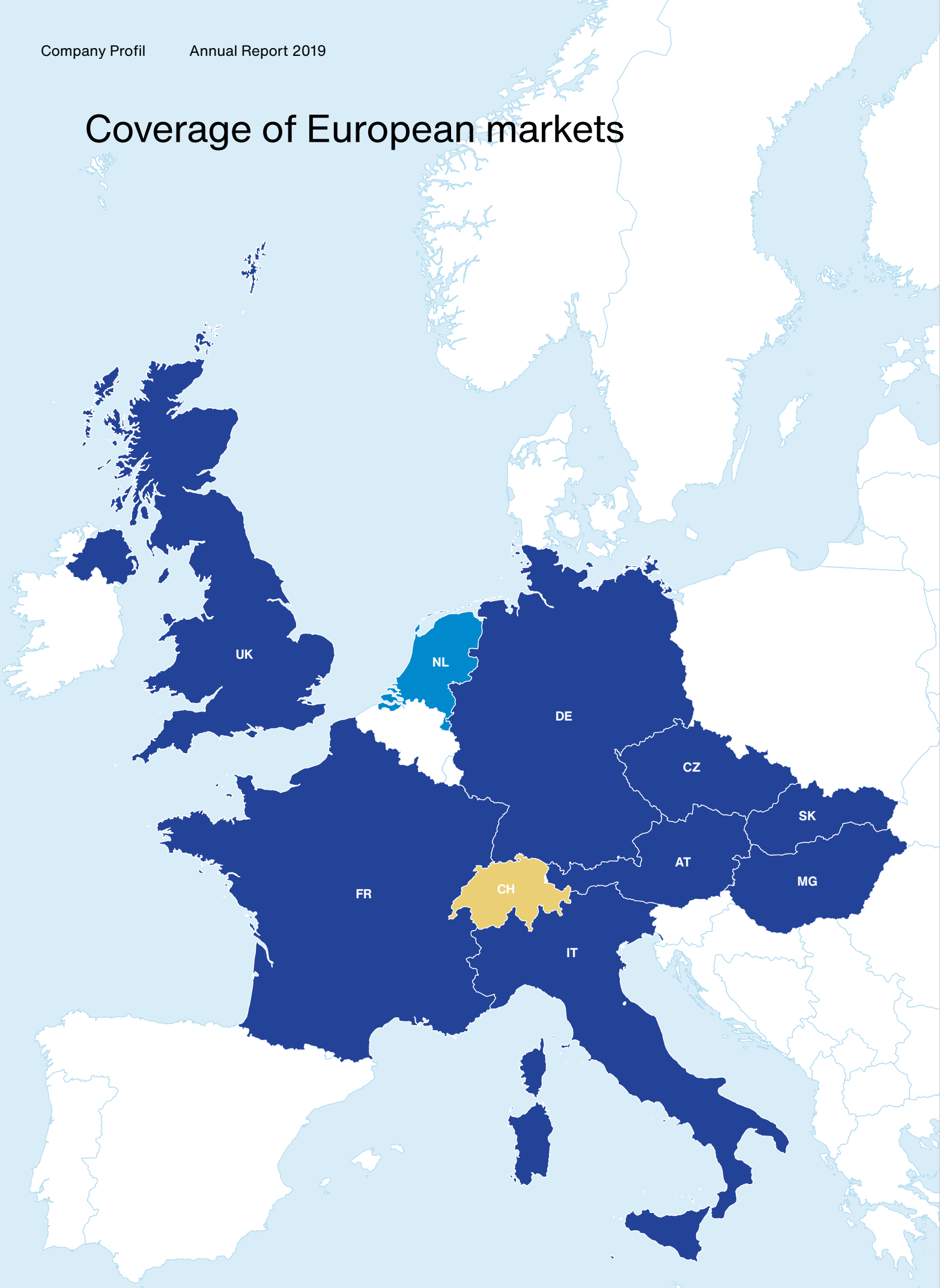
Short Term Trading

Team, which is responsible for market access for products shorter than one month. The aim is minimizing the transaction costs and cash involved and they also have a small prop trading mandate.

Asset Optimization Services

Department provides nominations (scheduling) of physical power supplies, compliance with contractual and technical conditions for access by operators and transmission systems, and purchases of transmission capacities for gas and power. Also monitors changes in market rules.

Coverage of European markets



Power trading

Czech Republic

France

Italy

Hungary

Germany

Austria

Slovakia

United Kingdom

Switzerland (in process)

Gas trading

Czech Republic

France

Italy

Hungary

Germany

Netherlands

Austria

Slovakia

United Kingdom

- Gas and power
- Gas
- Power

EPH

EP Infrastructure

Gas Transmission

SLOVAKIA

- eustream SLOVAK GAS TSO

Gas & Power Distribution

SLOVAKIA

- SSE HOLDING
- Stredoslovenská distribučná
- Distribúcia SPP

CZECH REPUBLIC

- epet.

Heat Infra

CZECH REPUBLIC

- Pražská teplárenská
- EOP ELEKTRÁRNY OPATOVICE
- UNITED ENERGY
- PLZEŇSKÁ TEPLÁRENSKÁ Více než energie
- EP Sourcing
- EP Cargo (CZ)

HUNGARY

- Budapesti Erőmű ZRt.

Gas Storage

SLOVAKIA

- nafta
- POZAGAS

GERMANY

- nafta Speicher

CZECH REPUBLIC

- SPP Storage

Renewables & Other

RENEWABLES

- VTE Pchery
- Greeninvest
- Powersun
- Triskata
- Arisun
- Alternative Energy
- VTE Moldava II

OTHER

- AISE

EP Logistics International

Logistics

- LokoTrain
- EP Cargo Invest
- EP Cargo (CZ)
- EP Cargo (DE)
- EP Cargo (PL)
- SPEDICA THE SPEDICA GROUP COMPANIES
- LOCON
- EP Coal Trading
- EOP HOKA

The company is a member of the Energetický a průmyslový holding, a.s.

EP Power Europe

Power Generation

SLOVAKIA
- SLOVENSKÉ ELEKTRÁRNE

ITALY
- EP PRODUZIONE

GERMANY
- LEAG
- HELMSTEDTER REVIER
- Saale Energie
- Kraftwerk MEHRUM

UK
- EP Langage
- EP SHB
- EP Ballylumford
- EP Kilroot
- Eggborough Power Ltd

FRANCE
- GazelEnergie

IRELAND
- TYNAGH ENERGY LIMITED

Mining

GERMANY
- LEAG
- MIBRAG

Renewables

GERMANY
- MIBRAG NEUE ENERGIE

SLOVAKIA
- SLOVENSKÉ ELEKTRÁRNE

UK
- LYNEMOUTH POWER

ITALY
- BiomasseCrotone
- BiomasseItalia
- fusine energia

FRANCE
- GazelEnergie

Other

- EP Commodities
- EP Resources
- HUMBLY GROVE ENERGY

EP Real Estate

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Company Background


EP Thames

Company Background

Company name	**EP Commodities, a. s.**
Registered office	Prague 1, Klimentská 1216/46, PSČ 110 02
Identification number	034 37 680
Tax identification number	CZ03437680
Entry in the Commercial Register	Municipal Court in Prague, section B, insert 19973
Phone	+420 255 707 090
E-mail	info@epcommodities.cz
Website	www.epcommodities.cz

Sole shareholder	**EP Power Europe, a. s.**
Registered office	Pařížská 130/26, Josefov, 110 00 Prague 1
Identification number	278 58 685

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Market Development

Market Development

Macroeconomic developments

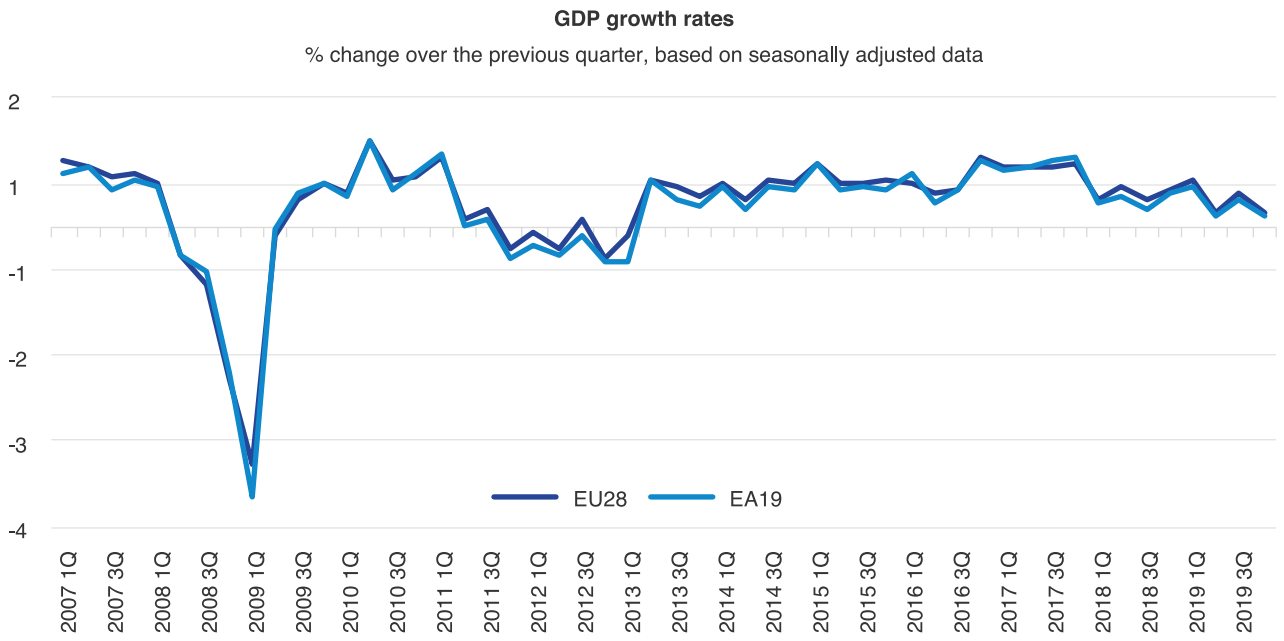
According to the initial Eurostat estimate of annual growth in 2019, based on quarterly data, GDP grew by 1.4% in the EU28 and 1.2% in the Eurozone ("EA19").

After a strong start to 2019, the Eurozone economy fell to a 6-year minimum in the 4th quarter, when the growth amounted to 1%, which is the weakest pace of expansion since the three months to December 2013, due to smaller increases in household consumption by 1.2% (1.5% in Q3) and government spending by 1.8% (2% in Q3), along with a negative contribution from net external demand. On the other hand, investment rose at 6.3%, higher than the previous Q3 with 3.2% increase. Considering the 2019 full year, the Eurozone economy grew by 1.2%, the slowest since 2013.

Germany's economy showed no growth in the fourth quarter of 2019, following 0.2% expansion in the previous three-month period, as household consumption stagnated relative to the 0.5% growth in Q3 and net trade contributed negatively to the GDP due to 0.2% decline in exports (1% in Q3), and 1.3% rise in imports (0.4% reduction in Q3). However, government spending rose only slightly by 0.3% (1.3% in Q3) and fixed investment in construction increased by 0.6% (0.4% in Q3), in part due to the mild weather. Investment in machinery and equipment fell 2% (-1.4% in Q3).

The French economy shrank 0.1% in Q4 2019, in line with preliminary forecasts and after a 0.3% growth in the previous period, according to final estimates. This was the first contraction since Q2 2016, amid strikes over the government's pension reforms. Changes in inventories subtracted 0.5 point, while local demand excluding inventory changes contributed by 0.3 point. There was also a slowdown in household consumption with 0.3% increase (0.4% in Q3), and investment almost stagnated with 0.2% increase (1.3% in Q3). In the meantime, government spending growth was unchanged (at 0.5%). Imports stepped back in Q4 by -0.4% (0.4% in Q3) while exports stagnated (-0.3% in Q3). For full 2019, the economy expanded 1.3%, faster than the preliminary estimates of 1.2% and slowing down from 1.7% advance in the previous year.

Figure 4.1: GDP growth rate in the EU. Source: Eurostat.



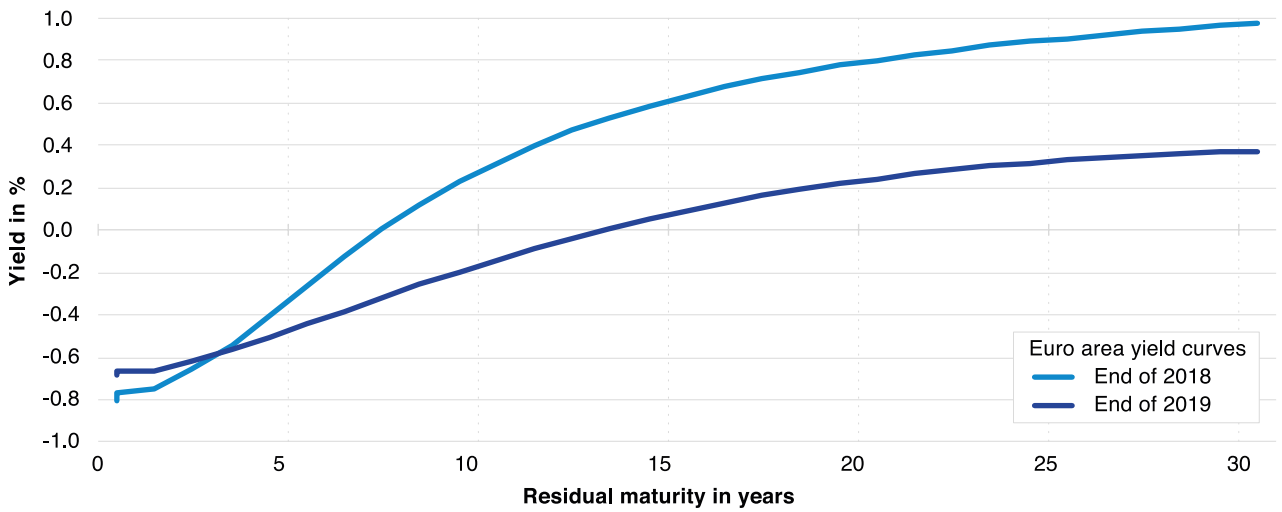
The UK GDP was flat during Q4 2019 according to estimates, closing the year with about 1% growth in 2019, a small decrease after the 1.4% growth in 2018. According to their National Office for Statistics, their public spending, private consumption, and net trade contributed positively to growth in the expenditure approach to GDP for Q4, while gross capital formation contributed negatively.

In Italy, Q4 returned a negative growth of -0.3%, the deepest contraction since 2013, with a decline in gross inventories weighting more than gains in net trade and an overall stagnation in services along with agricultural and industrial contraction. Considering full 2019, GDP in Italy grew by 0.3%, the smallest yearly figure since 2014, however it is still higher than the 0.1% forecasted by the Italian government.

At the end of the year, yields on AAA-rated Euro area government bonds remained negative for short-term maturities and positive for longer-term maturities, according to the European Central Bank data. With the exception of the shortest-term rates, euro interest rates finished 2019 below the levels at the beginning of the year: 2-year and 10-year yield curves closed at -0.618% (up by 0.04%) and -0.142% (down by 0.458%), respectively. German bonds performed similarly while retaining normal convexity between long- and short-term maturities.

On a global perspective, the US Treasury yield curve inverted at late August when the 2-year yield rose above the 10-year. After more than three years of US interest rates increases, the Federal Reserve kept the monetary policy stable during mid-2019, until the reversal cut in late July to the range of 2%–2.25%, the first reduction in over a decade, as growth slowed in the world's largest economy. Jerome Powell, the Fed chairman, said weak global growth and the US-China trade war had been disruptive for the world economy and had an impact on growth in America, despite the US labour market remaining strong with the lowest unemployment rate since the late 1960s. Two further 0.25% cuts followed during the rest of 2019.

Figure 4.2: Euro area yield curves. Source: ECB.



Energy developments

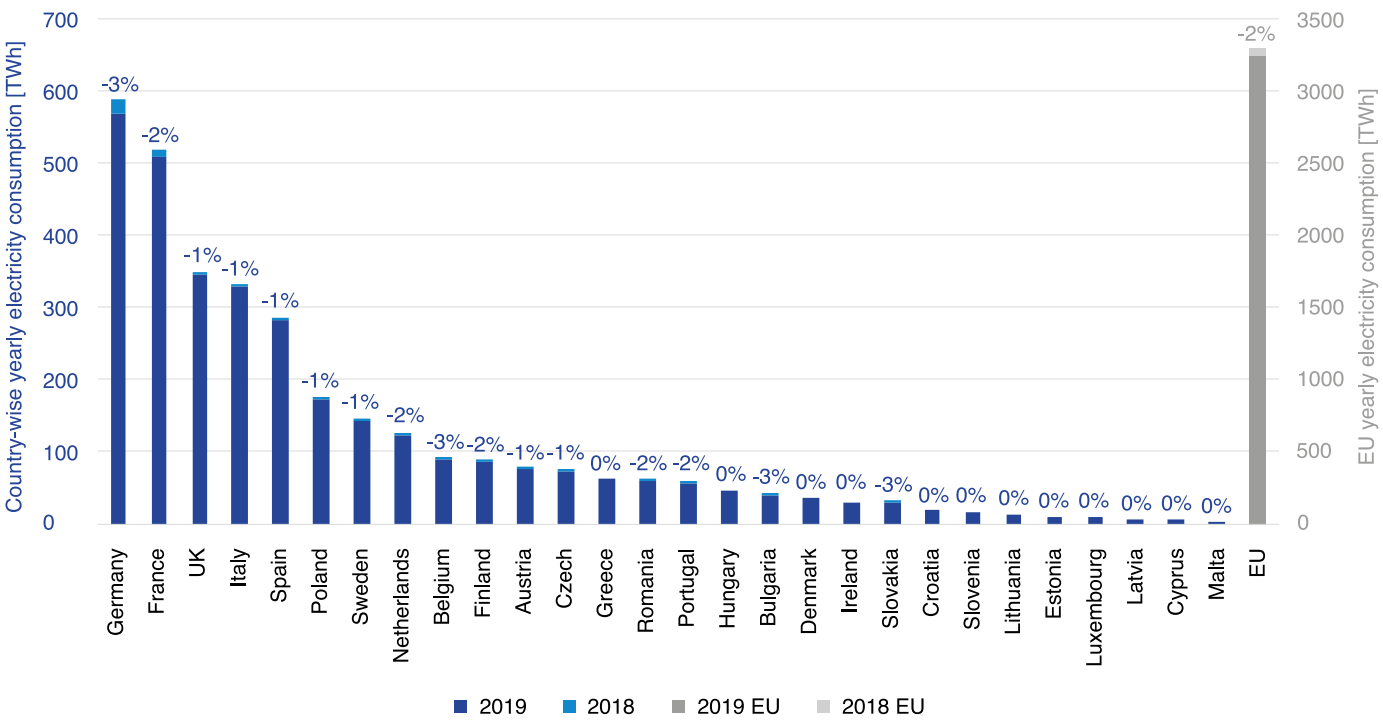
Electricity consumption

The aggregate EU electricity consumption of 3,239 TWh in 2019 (Figure 4.3) was the lowest in a decade, down by 2% year-over-year and 4% compared to 2010. Demand decreased with respect to 2018 in most countries except for Cyprus (+2%), Greece (+1%) and Hungary, Ireland and Malta which were on par with 2018 levels. The biggest decline was recorded in Germany (-3%), Belgium (-3%) and Slovakia (-3%).

Since 2010, the combined EU electricity consumption has exhibited the opposite trend as the GDP growth which increased by 14% (+1.4% year-over-year in 2019). Regional differences remained high, with the states of Central and Eastern Europe increasing their demand while most of the western countries consuming less. The highest demand growth occurred in Malta (+19%), Lithuania (+14%) and Poland (+11%) whereas UK (-10%), Luxembourg (-8%) and Germany (-7%) marked down the most significant decennial decrease. Contributing to the fact that electricity consumption diverges from the GDP is also the reducing role of industrial production in the EU economy. Despite the overall GDP growth, industrial production declined, which also translated into lower power demand. On the other hand, consumption becomes more driven by environment-friendly efforts observed in the increase of sales of electric cars (+50%) and heat pumps, for example.

The average temperature in 2019 was 0.59°C above the 1981–2010 average, making it the second warmest calendar year on record after 2016 (+0.63°C). The temperature in both summer and winter months was above normal; in particular, June and December were the hottest on record. As a result, the trend of recent years continued also in 2019 when the surging power demand due to air conditioning during summer heatwaves was compensated by consumption drop in winter months.

Figure 4.3: Electricity consumption in the EU. Source: Agora Energiewende.



Conventional electricity production

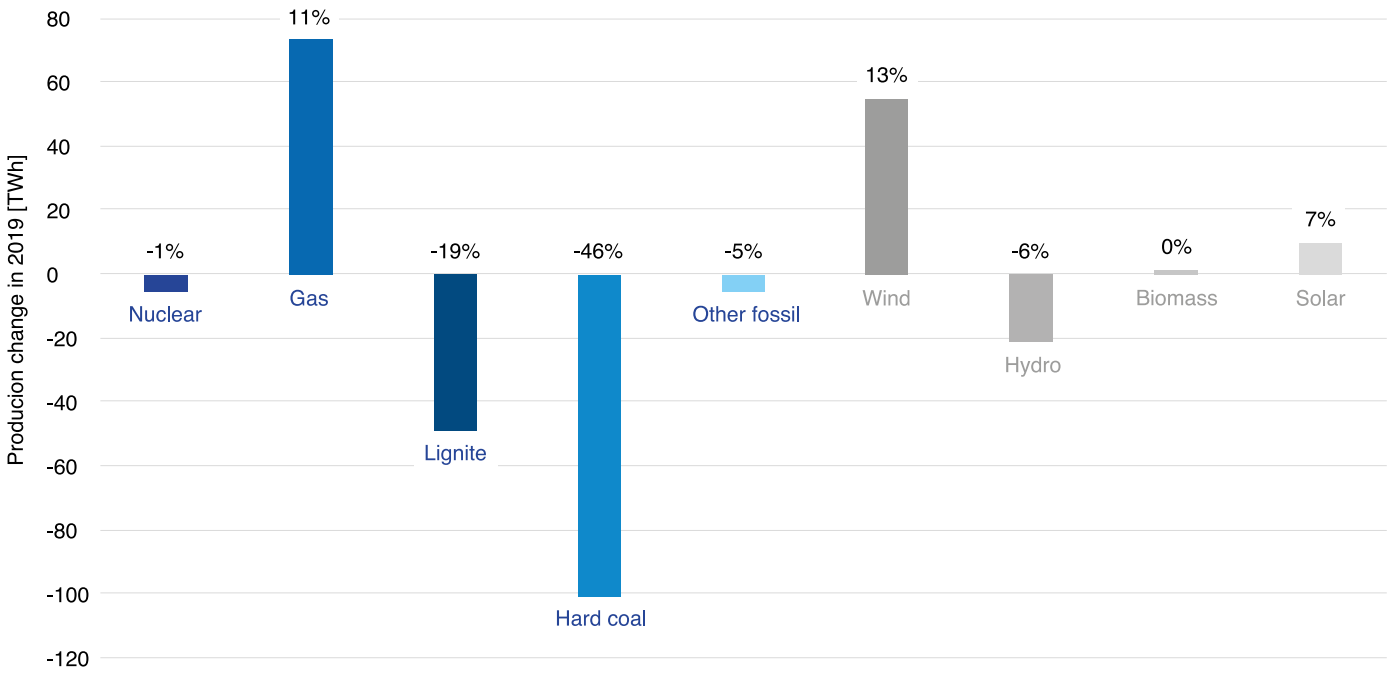
A total of 3,222 TWh of electricity was produced in the EU in 2019 (Figure 4.4), representing an annual decrease of 1.4% following the decline in consumption. Conventional power output dropped by 4% and comprised 65.4% of the electricity mix compared to 67.2% in 2018. The fall is attributed to the generation from hard coal and lignite which plummeted by 24% in 2019. In line with the national coal phase-outs and associated coal-to-gas switching, gas is the only conventional fuel on the rise in the power production with an increase of 242 TWh over the last 5 years. Meanwhile, nuclear share in the total production remained almost unchanged in 2019, down by just 6 TWh over the previous year.

Power generation from hard coal-fired plants, gradually being replaced by renewables and gas, was lower by 32% (-101 TWh) compared to 2018. A similar development was observed with lignite power plants, which output dropped by 16% (-49 TWh) in 2019. Contributing to the decrease was also the lower profitability of the hard coal plants due to the increased carbon allowances prices within the EU ETS, which are more favorable for the existing gas plants.

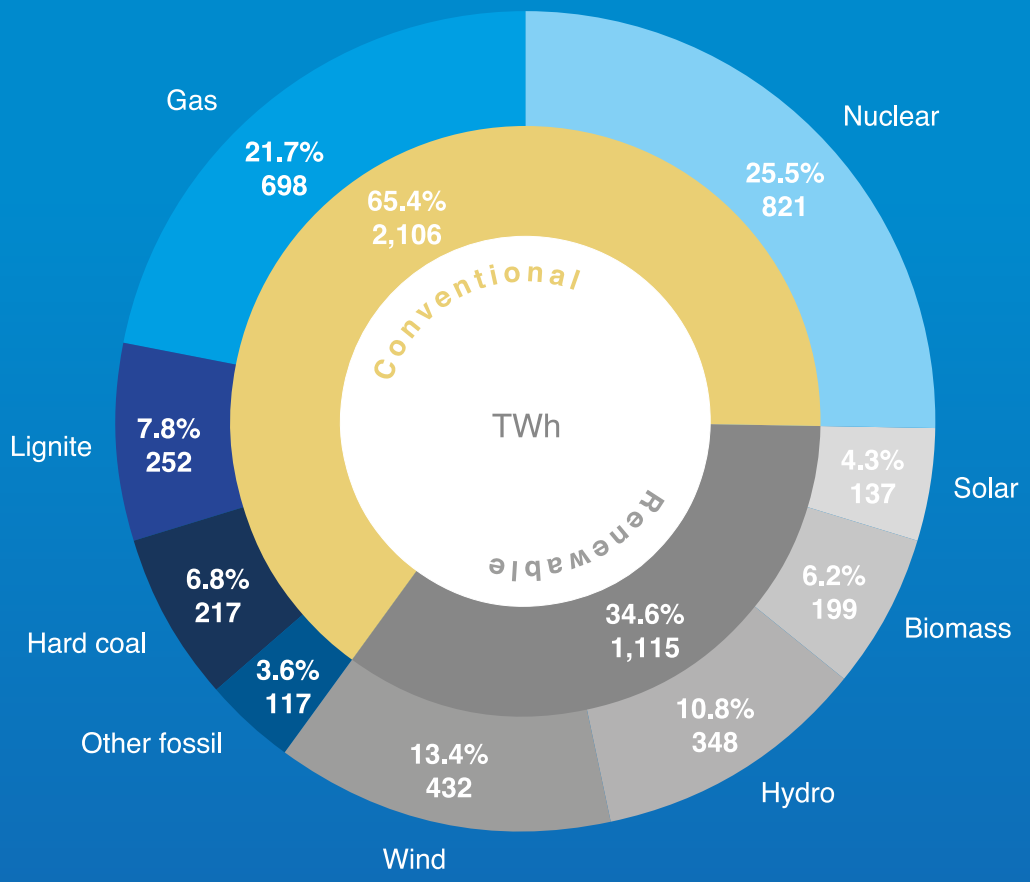
Gas-fired power generation grew annually by 12% (74 TWh) and reached market share of 22% in the EU electricity mix. The increase in gas compensated a half of the drop in the hard coal and lignite generation, the rest being offset by the rise of renewables. The most significant additions to the gas capacity were in Spain (+27 TWh), the Netherlands (+12 TWh), Germany (+9 TWh), Italy (+9 TWh) and France (+8 TWh). The only decrease was recorded in Romania (-1 TWh / -10%).

Nuclear production in the EU decreased by 0.7% in 2019. A series of EDF strikes and an earthquake in southern France contributed to the increase in outages of French reactors which produced 14 TWh less electricity than the year before. UK nuclear generation also fell (-9 TWh). These reductions were compensated by the restored availability of Belgian nuclear power plants (+14 TWh). At the end of 2019, German 1.4 GW power plant Philippsburg closed terminally, leaving the national nuclear capacity at 8.1 GW. Germany plans to completely close all domestic nuclear power plants by the end of 2022.

Figure 4.4: Annual change in the generated amount of power per production type. Source: Agora Energiewende.



Shares of individual means of power generation in the electricity mix of the EU



3,221

Total TWh

Renewable electricity production

Renewable power generation in the EU increased by 4% to 1,116 TWh in 2019 which represents 34.6% of the total production, up by 1.4% year-over-year. Rise in the wind (+14%) and solar (+7%) production overcompensated losses in hydro generation (-6%).

The absolute annual increase of 54 TWh in the wind power plant output was one of the highest in a decade, second only to 2017. As in the preceding year, the most significant additions were completed in Germany (+16 TWh), UK (+8 TWh) and France (+6 TWh), followed by Sweden (+5 TWh) and Spain (+4 TWh). The fleet of wind turbines expanded by 13.8 GW, of which 75% were onshore installations.

European solar power plants generated 9.5 TWh more electricity than in 2018, achieving a slightly larger share in the power mix, above 4%. Almost three quarters of the increase were achieved in the Netherlands (+3 TWh), Spain (+2 TWh) and France (+2 TWh). The differences in the geographical distribution of solar generation remain high, with the lowest production linked with the northern countries (Sweden, Finland, Poland, Ireland) but also some of the sunlit: Slovenia, Hungary and Croatia produce only around 1% of their electricity from photovoltaics. On the other hand, the solar share in the power generation of Malta, Italy, Germany, and Greece exceeded 8%. Last year's installations of 16.7 GW (+104%) were the highest since 2010 in the EU, benefiting mainly from low costs of solar power. The leaders in new additions were Spain (+4.7 GW) and Germany (+4 GW).

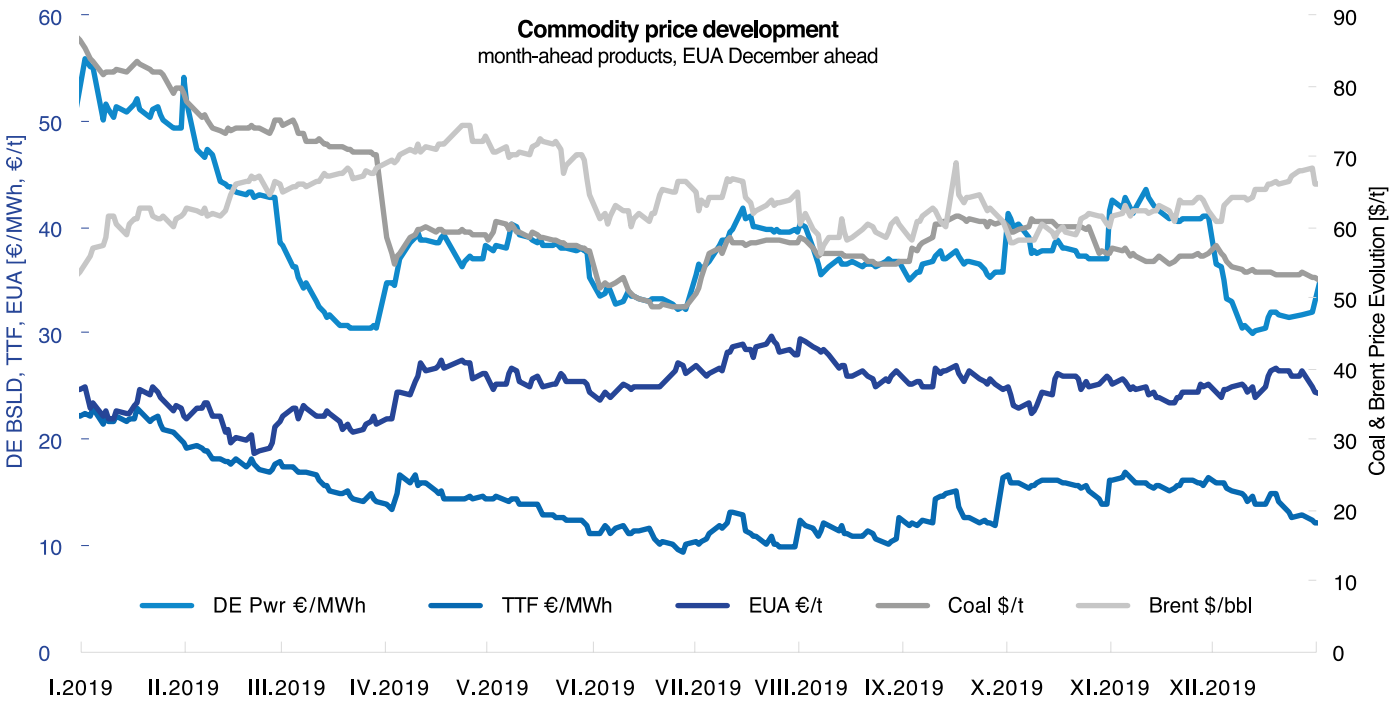
The heatwave during June–July 2019 and below normal precipitation significantly impaired the hydro generation but also caused problems for water-cooled nuclear power plants and coal plants that rely on river-borne deliveries. However, the drought did not affect all countries evenly; out of the top five hydro electricity producers in the EU, Sweden (+4 TWh) and Austria (+3 TWh) increased their output while Spain (-1 TWh), France (-7 TWh) and Italy (-5 TWh) struggled. Overall, 2019 with 348 TWh was the third worst year for hydro generation in the last decade.

Power prices

In most European countries, year-averaged prices of electricity dropped in 2019. The fall is the result of a variety of factors: lower prices of coal (API2 average year-ahead down by 21%) and gas (TTF average month-ahead down by 34%), higher carbon allowances prices (+58%) and increased production from cheaper renewable sources (+4%). Higher CO_2 emission allowances prices sped up the coal-to-gas switching. In 2018, running costs of new gas power plants (efficiency 58%) were on par with old coal plants while old and less efficient (50%) gas plants were hardly competitive. However, gas plants became increasingly more profitable during 2019 when the running costs of old plants (<40 EUR/MWh) decreased below the less efficient coal sites (35%), with the new gas plants being even more advantageous than the new coal plants (45%).

Belgium at 39 (-17) EUR/MWh and UK at 49 (-16) EUR/MWh saw the biggest declines in average dayahead wholesale electricity prices due to restored nuclear capacity and increased wind generation, respectively. Due to substantial amount of nuclear power coming back to operation, Belgium became a net exporter of electricity for the first time since 2009. French and German prices decreased to 39 (-11) EUR/MWh and 38 (-7) EUR/MWh, respectively. German net exports decreased year-over-year by -12 TWh due to the improved renewable capacity and more competitive gas-fired generation in neighboring countries compared to the German coal power plants. Except for Poland, prices in the Central European countries also decreased with the most prominent drops seen in Slovakia (to 42 (-7) EUR/MWh) and Czech Republic (to 40 (-6) EUR/MWh). Electricity prices rose only in countries with high shares of hard coal and lignite in their energy mix: Bulgaria (+7 EUR/MWh), Romania (+7 EUR/MWh), Greece (+4 EUR/MWh) and Poland (+1 EUR/MWh).

Figure 4.5: Prices development for most relevant commodities in Europe. Source: Reuters.



Coal

Coal remains a major fuel in the global energy system, accounting for almost 40% of electricity generation and more than 40% of energy-related carbon dioxide emissions. EIA's December 2019 report estimates a global coal demand in 2019 at 5.437 megatons of coal equivalent (Mtce), 0.4% down from 2018 (5.458 Mtce). Electricity generation from coal fell 3% in 2019 (24% in EU28 in 2019), with plants operating at an average of 51% of their available operating hours, a record low. From January 2018 to June 2019, countries outside of China decreased their total coal power capacity by 8.1 gigawatts (GW), due to steady retirements and an ongoing decline in the commissioning of new coal plants. Yet over the same period, China increased its coal fleet by 42.9 GW, and as a result the global coal fleet overall grew by 34.9 GW. China's coal use was still up 1% year-over-year as the country's total energy consumption rose by 3.3%.

EU coal power generation collapsed by 24% in 2019. The main driver of the coal-for-power decline was the CO_2 allowances price increase, deployment of renewables and above average temperatures. Coalto-gas switching replaced around half of the coal, with solar and wind making up for the other half. Hard coal generation fell 32% (-101 TWh). The most significant cuts of coal generation were in Germany and Spain, down by 26 and 24 TWh, respectively. Most of the European countries have already pledged to shut down coal power production by 2030, while Germany, with the largest remaining capacity (46.4 GW), plans the complete the phase-out by 2038. Spain and the Czech Republic are currently discussing their respective phase-outs, amounting to a total of 19.3 GW. Greece and Hungary both made commitments in 2019 to phase out coal, bringing the total of member states phasing out coal to 15. So far, no cancellation plans have been proposed in Poland, Romania, Bulgaria, Slovenia, and Croatia which together comprise 36% of the remaining hard coal capacity in Europe. Out of these, Polish generation constitutes the biggest share, with the capacity of 30.4 GW. Poland expects to produce 56% of its electricity from hard coal and lignite in 2030 (75% in 2019), due to the unavailability of alternative sources of power.

European lignite power plant output dropped by 16% (-49 TWh) in 2019. The most prominent fall was in Germany (-22%) which nevertheless remains by far the biggest producer of lignite-fired power (114 TWh). Production also notably declined in Greece (-28% / 5 TWh) and Poland (-14% / 7 TWh). Lignite generation was affected as well by higher CO_2 emission allowances prices, which in 2019 averaged 9.3 EUR/t higher than in 2018. To facilitate the coal and lignite phase-outs in favor of renewables, EU secretariat was established in 2019 to provide technical assistance in regions where mining and usage of coal is an essential part of the local economy. Under the proposal of the European Just Transition Mechanism, 100 billion Euros worth of support will be provided for these activities.

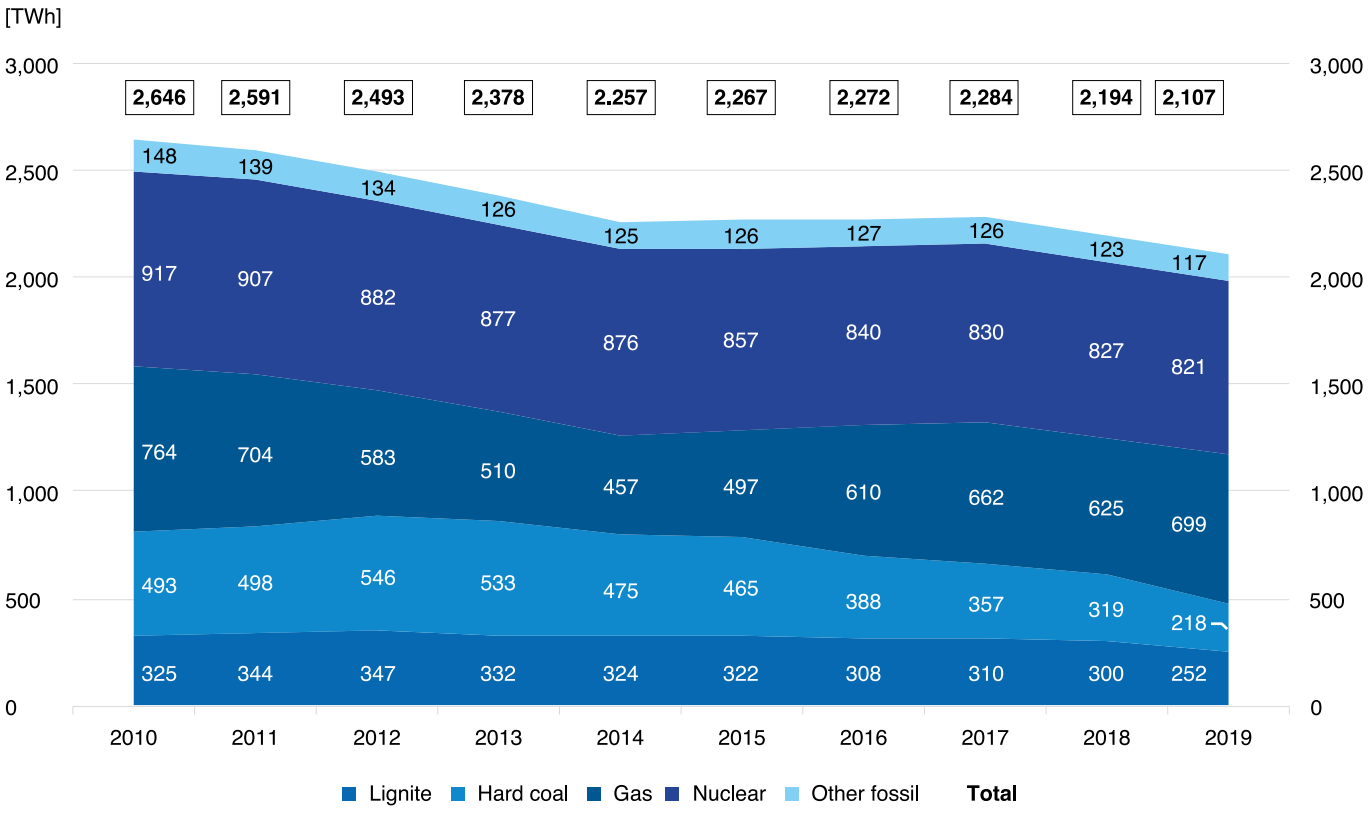
Oil

According to the EIA observations, the price of Brent crude oil averaged 64 USD per barrel (b) in 2019, 7 USD/b lower than in 2018. The price of West Texas Intermediate (WTI) crude oil averaged 57 USD/b in 2019, 7 USD/b lower than in 2018. Compared with recent years, both crude oil prices traded within relatively narrow price ranges throughout the year. Brent prices reached the daily low of the year of 55 USD/b in early January, rising to a daily high of 75 USD/b in late April. The resulting range of 20 USD/b is the narrowest since 2003. WTI prices ranged from 47 USD/b to 66 USD/b.

Natural gas

The consumption of natural gas in the EU was 482 bcm in 2019, an annual increase of 2%. The rise in demand was driven primarily by the higher amount of electricity generated from gas which increased by 12% (74 TWh) compared to 2018. A more significant increase in consumption was limited by milderthan-normal weather both in Q1 and Q4 which curtailed the gas demand for heating. Mild weather in winter months, unprecedented LNG inflows and decreasing spot prices throughout 2019 led to recordhigh levels of reserves at European gas storages. Storages were 97% full immediately

Figure 4.6: EU-28 conventional electricity generation. Source: Eurostat.



prior to the start of the gas winter in October and depleted only slightly to inventories of 88% by the end of the year, the highest stocks in eight years.

Spot prices at the European gas hubs were mostly decreasing in the first three quarters, often reaching 10-year lows as was also the case for the Dutch TTF, the busiest European hub. In general, oversupply due to exceptionally high storage levels and increasing LNG imports weighed heavily on the price curve in 2019. Prices rebounded slightly in November, supported by the onset of colder weather and uncertainties around the continuity of Russian pipeline deliveries through Ukraine. However, gas prices mostly declined afterwards until the end of year when the expectations of a sustained period of colder weather did not materialize and Russia-Ukraine talks came to an agreement. The yearly spot average at the TTF was 13.6 EUR/MWh, down by 41% on year.

In late December 2019, Ukraine and Russia signed a five-year transit agreement which replaced a contract expired at the end of 2019. The new contact shall ensure supply of Russian gas to Europe for minimum guaranteed volume of 65 bcm/year in 2020 and 40 bcm/year between 2021–2024.

EUA

The total capitalization of the global carbon markets grew by 34% in 2019, reaching 194 billion euros, according to Refinitiv, with the European Union Emission Trading System (EU ETS) making up almost 80% of 2019 yearly growth. This increase, however, is not exclusively European, as the two American carbon markets – the Regional Greenhouse Gas Initiative and the Western Climate Initiative had value increases of 74% to 22 billion in 2019. Also, the Chinese national ETS is planned to start in 2020, which would initially cover all Chinese power production and could potentially expand to other sectors, like industrials.

The average price of the European Union Allowances (EUA) rose to just under 25 EUR/mt in 2019, 9 euros higher than in 2018. The main reason for this increase is likely the Market Stability Reserve, which came into effect in January 2019 and held a significant volume of allowances, cutting part of the supply and effectively increasing prices.

Prices, however, had other inputs, such as the development of Brexit and the uncertainty of the permanence of the United Kingdom within the EU ETS. As of December 2019, the UK was set to leave the European Union and the ETS by January 31st, which is also the end date of the Phase 3 of the EU ETS (2013–2020). The doubts about whether the United Kingdom would begin its own ETS or would continue under the regulation of the European Union system impacted on carbon volatility, and the possibility of a no-deal no-linked ETS system could cause a major disruption.

As of late 2019, European climate and energy discussions are set to continue during 2020, as the new European Commission, recently formed under the new mandate of Ursula von der Leyen, starts presenting draft legislation to adjust the 2030 target and implementing new legislation to achieve climate neutrality by 2050.

Carbon allowances seem to have had an environmental effect, as greenhouse gas emissions regulated under Europe's carbon market fell by 8.7% during 2019 according to preliminary data examined by carbon analysts at Refinitiv. This reduction is necessarily linked to the European policy, as around 45% of the greenhouse gasses output of the European Union is regulated by the EU ETS.

A big portion of this reduction in emissions came from the renewables side, with greater capacity installations in the EU28 during 2019 – solar installations increased by 16.7 GW and wind by 13.8 GW. Renewable power plant outputs were higher than usual during the year, especially in wind production, with an increase of 55 TWh and with solar producing 10 TWh more than the previous year, displacing fossil power producers on the supply-side. Traditional power plants, however, also contributed to the decrease in the emission rate, with gas-fired generation replacing partially coal and lignite power generators due to the oversupply of gas in 2019 and high EUA prices that pushed the coal-to-gas switch further.

Political developments and global trends

Brexit

Despite 29 March 2019 was the planned day for the United Kingdom to leave the European Union, Theresa May's plan withdrawal deal was not supported by the Members of Parliament – with the Irish border as one of the main issues discussed – and the UK requested a delay for Brexit. Following the failure of the UK Parliament to approve the Withdrawal Agreement by 29 March 2019, the UK was required to leave the EU on 12 April 2019. On 10 April 2019, late-night talks in Brussels resulted in a further extension, to 31 October 2019; Theresa May had again requested an extension only until 30 June 2019. Under the terms of this new extension, if the Withdrawal Agreement were to be passed before October, Brexit would occur on the first day of the next month. The UK would then be obligated to hold European Parliament elections in May or leave the EU on 1 June 2019 without a deal.

However, after Boris Johnson became prime minister on 24 July 2019 and met with EU leaders, the EU changed its stance. On 17 October 2019, following talks between the UK and the EU, a revised withdrawal agreement was agreed on the negotiators level, and endorsed by the UK government and the EU Commission. On 28 October 2019, the third extension was agreed to by the EU, with a new withdrawal deadline of 31 January 2020.

In October, the UK parliament passed the Early Parliamentary General Election Act that bypassed the Fixed-term Parliament Act 2011 and called a general election for 12 December 2019. In the election, Boris Johnson's campaign centred its message on promising to „get Brexit done", and the Conservative Party won an 80-seat majority in the parliament. Subsequently, the government introduced a bill to ratify the withdrawal agreement. It passed its second reading in the House of Commons in a 358–234 vote on 20 December 2019 to become law in early January and end the United Kingdom's membership of the European Union 47 years after its union.

2019–2020 global coronavirus pandemic

In the early part of 2020, the global coronavirus pandemic sharply affected countries in all continents, forcing many of them to impose social distancing measures or even full lockdowns. This situation creates a difficult outlook for 2020 in all economic sectors, and energy is not an exception. The pandemic has many consequences on energy consumption, most notably due to transport restrictions and industrial activity reduction.

Some of the strictest lockdowns are found in Europe, especially in countries like Italy or Spain, while other regions like Poland or the Nordic countries have softer measures. This sharply impacts the power consumption, with countries with stronger measures facing electricity demand reductions of even 20–25% while others face losses greater than 10%. Of course, this situation correlates with immediate correction in the carbon allowances prices.

With gas being the marginal fuel in most Western European countries, the drop in power demand immediately impacted the gas demand, also in industrial demand, amounting to approximately 150–200 mcm/day, which is around 15–20% of the European demand. This global situation affects LNG as well, with not only Europe, but also other significant LNG consumers like India, China, South Korea, or Japan lowering their imports and pushing gas prices further down.

Coal phase out

Belgium was the first EU country which terminated using coal, in 2016. With the Swedish and Austrian coal phase-out in April 2020, there are now three EU countries that have officially closed their coalfired powerplants. Following countries are expected to end coal by 2025: France (2022), Slovakia (2023), Portugal (2023) and Italy (2025), according to Europe Beyond Coal. They are expected to be followed by Greece (2028), the Netherlands (2029), Finland (2029), Hungary (2030) and Denmark (2030). Discussions are currently underway in the Czech Republic, Spain, and North Macedonia about when to exit coal-fired electricity. No cancellation plans have been proposed in Poland, Romania, Bulgaria, Slovenia, and Croatia.

5

Report of the Board of Directors

on the Company's Business Activities and the State of its Assets

The statutory financial statements of the Company have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB), as adopted by European Union.

Economic results for 2019

For the 2019 accounting period, EP Commodities, a.s. recognised revenues of CZK 81 billion and the result of operations before tax of CZK 492.3 million, primarily owing to a margin generated from the wholesale market with natural gas, electricity and emission allowances and revenues from provided services.

Principal business activities in 2019

The Company's principal business activity is the wholesale of natural gas, power and emission allowances on European markets.

Total trading in natural gas and power in all markets amounted to 317 TWh and in emission allowances to 94 million tonnes in 2019

Further development

In 2020, the Company primarily aims to complete the building of its business infrastructure and fulfilment of trading centre function within the EPH group.

The Company also plans to increase the number of employees and expand the entire corporate team.

Acquisition of own shares

The company did not acquire any of its own shares this year.

Branch or other part of a business plant abroad

The company does not have a branch or other part of the business plant abroad.

Research and development

The Company does not carry out any research and development activities.

Environmental protection and labour-law relations

In handling consumable materials, the Company always adopts an approach friendly to the environment. Employment relations are governed by the Labour Code.

Risk management objectives and methods

The Company is exposed to market risk as a part of its common business activity. The Company's management in cooperation with its Risk Management department monitors and assesses the risks on regular basis. The management's objective is to reduce any possible negative effects of the risks, which is done through commodity derivatives.

Material Subsequent events

No material subsequent events occured as at the date of signing the annual report.

Prague, 30 June 2020

Miroslav Haško
Chairman of the Board of Directors

Daniel Pexidr
Member of the Board of Directors

6

Report of the Supervisory Board

on the Results of its Supervisory Activities

In 2019, the Supervisory Board of EP Commodities, a.s. performed tasks in compliance with the Business Corporations Act and the Company's statutes.

The Supervisory Board regularly monitored the Company's economic results, the state of its assets and reviewed economic analyses. It checked and verified the fulfilment of tasks given to the Board of Directors by the general meeting, or more precisely the decision of the sole shareholder during the exercise of powers of the general meeting, as well as the observance of generally binding legal regulations and the Company's statutes.

During 2019, when exercising its right to supervise, the Supervisory Board followed the Company's statutes and generally binding legal regulations valid for the activities of joint stock companies. In the mentioned period, the Supervisory Board focused primarily on its main task, i.e. the supervision over the exercise of powers of the Board of Directors and the examination of the annual financial statements and the proposal for profit settlement.

In the shareholder's interest, the Supervisory Board also concentrated, among other things, on the continuous monitoring of economic results, the performance of the business plan and the resolutions adopted by the regular general meeting. It simultaneously aided the Board of Directors in fulfilling the joint stock company's development strategy.

The Board of Directors has provided the Supervisory Board with all necessary background materials, information, and explanations. The Supervisory Board did not discover any shortcomings or violations of the Company's statutes or applicable legal regulations in the activities of the Board of Directors.

Prague, 30 June 2020

7

Report on Relations between Related Parties

pursuant to Act No. 90/2012 Coll., on Corporations and Cooperatives for the accounting period from 01 January 2019 to 31 December 2019

The Board of Directors of EP Commodities, a.s., ("the Company"), with its registered office in Prague 1, Klimentská 1216/46, 110 00 has prepared this report on relations between the controlled entity, companies exercising direct or indirect control and other entities controlled by the same controlling entity for the period from 01 January 2019 to 31 December 2019 in compliance with Section 82 of Act No. 90/2012 Coll., on Corporations and Cooperatives, as amended.

The direct controlling entity for the accounting period from 01 January 2019 to 31 December 2019 was EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1.

In the respective period, EP Power Europe, a.s., as the direct controlling entity, owned 10 shares of the controlled entity, representing 100% of the Company's registered capital and 100% of its voting rights.

I. Controlled entity

EP Commodities, a.s., with its registered office in Prague 1, Klimentská 1216/46, 110 00, ident. no. 034 37 680, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 19973 on 29 September 2014.

II. Controlling entity

Energetický a průmyslový holding, a.s., with its registered office in Prague 1, Pařížská 130/26, Josefov, 110 00, ident. no. 283 56 250, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 21747 on 10 September 2009.

III. The controlled entity's role

The controlled entity's role within the group of companies is trading with commodities on a wholesale market. To fulfil this role, the controlled entity enters into business relations with related parties. All contractual relationships with related parties were established under the arm's length principle. All supplies and related consideration have been agreed based on the arm's length principle.

IV. Method and means of control

The controlling entity exercises its controlling influence through the appointment and recalling of Statutory Board and Supervisory Board members in compliance with effective legislation and the controlled entity's articles of association.

V. Contracts with related parties in effect in the last accounting period

In 2019, the contracts in effect between the controlled entity and the direct and indirect controlling entities and other entities controlled by the same controlling entities were as follows:

(1) EFET General Agreement concerning the delivery and acceptance of Natural Gas with EP ENERGY TRADING a.s. dated 1 December 2014

(2) Contract for the sub-lease of business premises and for the provision of services with EP ENERGY TRADING, a.s. dated 1 October 2014

(3) Loan agreement with Energetický a průmyslový holding, a.s. dated 24 August 2015

(4) Framework agreement to provide guarantees with Energetický a průmyslový holding, a.s. dated 2 February 2015

(5) Agreement for the supply of natural gas dated 15 November 2019 with EP Produzione Centrale Livorno Ferraris S.p.A.

(6) Agreement for the supply of natural gas dated 15 November 2019 with Biomasse Italia Spa.

(7) Agreement for the supply of natural gas dated 15 November 2019 with EP Produzione S.p.A.

(8) Framework agreement on balancing platform access dated 23 October 2015 with eustream, a.s.

(9) Contract for title transfer services dated 27 April 2016 with eustream, a.s.

(10) Framework contract on access to the transmission network and gas transmission dated 25 May 2016 with eustream, a.s.

(11) Agreement for the provision of data reporting under Article 9 (9) of REMIT Implementing Acts dated 31 March 2016 with NAFTA, a.s.

(12) General Agreement on Provision of Storage Services dated 23 July 2018 with NAFTA, a.s.

(13) Gas Storage Agreement – the Inverse Storage dated 6 March 2019 with NAFTA, a.s.

(14) Gas Storage Agreement – the Inverse Storage dated 6 March 2019 with NAFTA, a.s.

(15) Contract for the provision of ICT services for consideration with United Energy, a.s. dated 12 April 2018

(16) Contract for the supply of gas (to meet the gas supply security standard) of 13 September 2019 with SPP-distribúcia, a.s.

(17) Contract for the supply of gas for the year 2019 of 21 June 2019 with SPP-distribúcia, a.s.

(18) EFET General Agreement concerning the delivery and acceptance of Natural Gas with Stredoslovenská energetika Obchod, a.s. of 1 April 2015

(19) Service Level Agreement with EP UK Investments Ltd of 3 May 2017

(20) Contract for the provision of services with Stredoslovenská energetika, a.s. dated 22 December 2017

(21) ISDA Master agreeement dated 18 July 2016 with EP Produzione S.p.A.

(22) EFET General Agreement concerning the delivery and acceptance of Electricity with EP UK Investments Ltd of 3 May 2017

(23) EFET General Agreement concerning the delivery and acceptance of Electricity with Budapesti Erömü Zrt of 2 May 2017

(24) EFET General Agreement concerning the delivery and acceptance of Natural Gas with Budapesti Erömü Zrt of 2 May 2017

(25) Agreement on assumption of payment obligation with Energetický a průmyslový holding, a.s. and EP Power Europe, a.s. of 1 July 2017

(26) Agreement on set-off of the receivables with EP Power Europe, a.s. of 1 July 2017

(27) Loan Agreement with EP Power Europe, a.s. of 1 July 2017

(28) Contract to maintain financial hedging with EP ENERGY TRADING, a.s. of 1 December 2017

(29) Contract for the provision of services with EP Investment Advisors, s.r.o. of 3 January 2017

(30) Contract for the provision of professional assistance with EP Investment Advisors, s.r.o. of 2 January 2017

(31) ISDA Master agreement with EP Mehrum GmBH of 24 July 2018

(32) EFET General Agreement concerning the delivery and acceptance of Electricity with EP Krafwerke Mehrum, GmBH a.s. of 29 January 2018

(33) Guarantee Isuance Agreement with EP Power Europe a.s. of 29 June 2018

(34) Loan Agreement with Energetický a průmyslový holding, a.s as amended by the second amendment to the contract of 28 December 2018

(35) Contract for the lease of business premises with PT měření a.s. dated 17 April 2018

(36) Service Level Agreement with EP Produzione S.p.A of 1 January 2018

(37) Agreement on the delegation of report of EMIR relevant transactions with EP Produzione S.p.A of 1 December 2018

(38) Emissions trading master agreement for the EU scheme with EP Produzione S.p.A. of 1 January 2017

(39) EFET General Agreement concerning the delivery and acceptance of Electricity with EP ENERGY TRADING, a.s. of 17 August 2016

(40) ISDA Master agreeement with EP ENERGY TRADING, a.s. of 17 August 2016

(41) Contract for the combined delivery of electricity with EP ENERGY TRADING, a.s. dated 28 November 2017

(42) Contract for the provision of services with EP ENERGY TRADING, a.s. of 2 January 2018

(43) ISDA Master agreeement with Budapesti Erömü Zrt of 22 June 2017

(44) UK Link Equipment and UK Link Software Usa Agreement with EP UK Investments Ltd of 10 March 2019

(45) EFET General Agreement concerning the delivery and acceptance of Natural Gas with EP UK Investments Ltd of 15 July 2019

(46) ISDA Master agreeement with Gazel Energie Solutions SAS of 28 June 2019

(47) EFET General Agreement concerning the delivery and acceptance of Natural Gas with Gazel Energie Solutions SAS of 28 June 2019

(48) EFET General Agreement concerning the delivery and acceptance of Electricity with Gazel Energie Solutions SAS of 28 June 2019

(49) ISDA Master agreeement with Gazel Energie Generation SAS of 28 June 2019

(50) EFET General Agreement concerning the delivery and acceptance of Natural Gas with Energie Generation SAS of 28 June 2019

(51) EFET General Agreement concerning the delivery and acceptance of Electricity with Gazel Energie Generation SAS of 28 June 2019

(52) Transfer and Novation Agreement with Gazel Energie Generation SAS and Gazel Energie Solutions SAS of 28 September 2019

(53) Service Level Agreement – Regulatory services with EP Produzione S.p.A of 18 October 2019

(54) Allowances Warehouse Agreement with EP Kilroot Ltd of 31 October 2019

(55) AOT Service Level Agreement with Gazel Energie Generation SAS of 31 December 2019

(56) AOT Service Level Agreement with Gazel Energie Solutions SAS of 31 December 2019

(57) Service Level Agreement on Provision of Market data with Gazel Energie Generation SAS of 31 December 2019

(58) Service Level Agreement on Provision of Market data with Gazel Energie Solutions SAS of 31 December 2019

(59) Long Term Market Access Agreement with Gazel Energie Solutions SAS of 31 December 2019

(60) Emission Allowances Single Trade Agreement for the EU ETS with NAFTA Speicher GmbH & Co. KG of 3 April 2019

(61) EFET General Agreement concerning the delivery and acceptance of Electricity with Pražská Teplárenská a.s. of 3 June 2019

(62) ISDA Master agreement with Pražská Teplárenská a.s. of 17 July 2019

(63) ISDA Master agreement with EP Resources AG of 11 December 2019

(64) Service Level Agreement on Provision of Risk Management Services with EP Resources AG of 1 November 2019.

VI. Other juridical acts performed in the interest of related parties

During the respective accounting period, no juridical acts – other than those performed within the execution of rights pertaining to the controlled entity's shareholder – were performed in the interest of the direct and indirect controlling entity or other entities controlled by the same controlling entity.

VII. Other measures adopted or effected in the interest or at the instigation of related parties

During the respective accounting period, no measures – other than those adopted or effected within the execution of rights pertaining to the controlled entity's shareholder – were adopted or effected in the interest of the direct and indirect controlling entity or other entities controlled by the same controlling entity.

In 2019, no acts were performed in the interest or at the instigation of the controlling entity that would involve more than 10% of the controlled entity's equity.

VIII. Damage incurred by the controlled entity and related settlement

The controlled entity did not incur any damage nor did it gain any advantage as a result of the above contracts, other juridical acts, other measures, and provided supplies and received consideration.

IX. Advantages and disadvantages arising from relations between related parties, associated risks

The controlled entity does not gain any advantages or disadvantages from its relations with related parties. All related-party relations are governed by the arm's length principle. No entity gains any illegitimate advantages or disadvantages; all the relations are neutral in this respect. In addition, the controlled entity does not incur any risks from these relations.

X. Confidentiality

Within the group, all information and facts that are part of the trade secret of the controlling entities, controlled entity and other related parties are deemed confidential. The same applies to all information that has been designated as confidential by any related party. Confidential is also any and all business information that may on its own or in connection with other information and facts result in damage to any related party.

XI. Conclusion

This report has been prepared by EP Commodities, a.s., and has been submitted for review to the Supervisory Board and examination by an auditor. As the controlled entity has a statutory duty to prepare an annual report, the report on relations will be attached thereto.

The annual report will be deposited in the Collection of Deeds maintained by the Municipal Court in Prague.

Prague, 30 March 2020

Ing. Miroslav Haško
Chairman of the Board of Directors

Ing. Daniel Pexidr
Member of the Board of Directors

8

Individual Financial Statements for the Year Ended 31 December 2019

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

This version of the Individual financial statements is a translation from the original which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the Individual financial statements takes precedence over this translation.

Statement of financial position

(in thousands of Czech crowns "TCZK")

	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
Assets				
Property, plant and equipment	8	31,804	39,838	34,601
Intangible assets		15,988	23,358	13,484
Trade receivables	9	135,076	78,199	-
Deposits and margin deposits	10	1,554,798	1,875,489	613,891
Receivables from revaluation of derivatives	11 (a)	717,282	550,578	94,157
Deferred tax asset	12	6,784	6,974	1,605
Total non-current assets		**2,461,732**	**2,574,436**	**757,738**
Inventories	13	--	120,020	24,827
Trade receivables	9	7,923,059	4,632,401	4,055,240
Deposits and margin deposits	10	13,882	1,485	38,963
Receivables from revaluation of derivatives	11 (a)	7,952,339	3,518,421	1,909,532
Loans granted	14	2,669,665	2,964,848	629,728
Cash and cash equivalents	15	121,238	138,445	685,398
Other non-financial assets	16	32,213	70,817	66,065
Total current assets		**18,712,396**	**11,446,437**	**7,409,753**
Total assets		**21,174,128**	**14,020,873**	**8,167,491**
Equity				
Share capital	17	100,000	100,000	100,000
Retained profits (accumulated losses)		725,263	406,874	406,874
Profit (loss) for the current period		396,446	318,389	
Total equity		**1,221,709**	**825,263**	**506,874**
Liabilities				
Trade payables and other financial liabilities	18	648,347	27,144	29,630
Liabilities from revaluation of derivatives	11 (b)	710,938	542,533	80,026
Total non-current liabilities		**1,359,285**	**569,677**	**109,656**
Loans and borrowings	19	410,281	--	-
Trade payables and other financial liabilities	18	8,798,043	5,659,164	5,160,668
Received deposits and margin deposits	20	1,466,613	2,297,512	1,046,440
Liabilities from revaluation of derivatives	11 (b)	7,851,181	4,583,190	1,274,827
Other non-financial liabilities	21	40,878	41,260	26,034
Tax liabilities	28	26,138	44,807	42,992
Total current liabilities		**18,593,134**	**12,625,933**	**7,550,961**
Total liabilities		**19,952,419**	**13,195,610**	**7,660,617**
Total equity and liabilities		**21,174,128**	**14,020,873**	**8,167,491**

Statement of comprehensive income

(in thousands of Czech crowns "TCZK")

	Note	2019	2018
Sales	22	80,968,750	56,816,608
Cost of sales	23	(80,543,607)	(56,232,006)
Gain (loss) from commodity derivatives for trading	24	262,568	(7,872)
Subtotal		**687,711**	**576,730**
Personnel expenses	25	(112,670)	(98,109)
Depreciation and amortisation		(21,420)	(8,713)
Taxes and charges		(2,715)	(56)
Other operating income		12	6,113
Other operating expenses		(13,729)	(15,504)
Profit (loss) from operations		**537,189**	**460,462**
Finance income	26	39,881	32,595
Finance expense	26	(84,758)	(98,992)
Net finance income (loss)		**(44,877)**	**(66,397)**
Profit (loss) before income tax		**492,312**	**394,065**
Income tax expenses	27	(95,866)	(75,676)
Profit for the period		**396,446**	**318,389**

Statement of changes in equity

(in thousands of Czech crowns “TCZK”)

	Share capital	Retained profits	Total equity
Balance at 1 January 2018 pursuant to IFRS	**100,000**	**406,874**	**506,874**
Profit (loss)		318,389	318,389
Balance at 31 Dec 2018	**100,000**	**725,263**	**825,263**
Balance at 1 Jan 2019 pursuant to IFRS	**100,000**	**725,263**	**825,263**
Profit (loss)		396,446	396,446
Balance at 31 Dec 2019	**100,000**	**1,121,709**	**1,221,709**

Statement of cash flows

(in thousands of Czech crowns "TCZK")

	Note	2019	2018
OPERATING ACTIVITIES			
Profit/ (loss) for the year		396,446	318,389
Adjustments for:			
Income tax		95,866	75,676
Depreciation and amortisation		21,420	8,713
Change in adjustments		298	(460)
Interest expenses and income	26	(31,112)	(27,391)
Unrealised foreign exchange gains/ (losses), net		19,096	(19,871)
Operating profit before changes in working capital		**502,014**	**355,056**
Change in trade receivables and other assets		(2,970,447)	(1,894,757)
Change in trade payables and other liabilities		2,885,106	1,799,543
Change in inventories		120,020	(95,193)
Change in trade receivables and liabilities from revaluation of derivatives	11	(1,164,226)	1,705,560
Cash flows generated from (used in) operating activities		**(627,533)**	**1,870,210**
Interest paid		(8,296)	(5,201)
Income tax paid	27	(114,345)	(79,230)
Net cash flows generated from (used in) operating activities		**(750,174)**	**1,785,779**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangible assets		(6,395)	(24,272)
Loans provided to related parties	14	(2,680,497)	(3,321,724)
Repayment of loans provided to related parties	14	3,007,869	1,038,973
Interest received	14	8,856	793
Cash flows from (used in) investing activities		**329,833**	**(2,306,230)**
FINANCING ACTIVITIES			
Proceeds from loans and borrowings received	19	7,172,419	–
Repayment of loans and borrowings	19	(6,756,953)	–
Payment of lease liabilities		(6,013)	(914)
Cash flows from (used in) financing activities		**409,453**	**(914)**
Net increase (decrease) in cash and cash equivalents		(10,888)	(521,365)
Cash and cash equivalents at the beginning of period	**15**	**138,445**	**685,398**
Effect of exchange rate fluctuations on cash held		(6,319)	(25,588)
Cash and cash equivalents at the end of period	**15**	**121,238**	**138,445**

The notes to financial statements on pages 7 to 48 are an integral part of these financial statements.

Notes to the Czech statutory financial statements (translated from the Czech original)

(in TCZK)

1 General information

EP Commodities, a.s. ("the Company") was incorporated on 29 September 2014, by being recorded in the Commercial Register of the Municipal Court in Prague, section B, insert 19973. The principal activities of the Company are trading in gas and electricity, and manufacture, trade and services not listed in Annexes 1 to 3 to the Trade Licensing Act.

Ownership structure

The sole shareholder of the Company as at 31 December 2019 was:

EP Power Europe, a.s.
Pařížská 130/26
110 00 Praque 1 - Josefov
Czech Republic

As at 31 December 2019, the shareholders of Energetický a průmyslový holding, a.s., 100% owner of EP Power Europe, a.s., were:

	Interest in share capital %	Voting rights %
EP Investment S.à r.l.	53%	53%
EP Investment II S.à r.l.	47%	47%
Total	**100%**	**100%**

JUDr. Daniel Křetínský is the ultimate owner of the Group.

Registered office

EP Commodities, a. s.
Klimentská 1216/46
Praque 1- Nové Město
Czech Republic

Identification number

034 37 680

Statutory body as at 31 December 2019

Members of the board of directors

Ing. Miroslav Haško
CHAIRMAN OF THE BOARD OF DIRECTORS

Daniel Pexidr
MEMBER OF THE BOARD OF DIRECTORS

Mgr. Marek Spurný
MEMBER OF THE BOARD OF DIRECTORS

Mgr. Pavel Horský
MEMBER OF THE BOARD OF DIRECTORS

Ing. Jan Špringl
MEMBER OF THE BOARD OF DIRECTORS

Supervisory board

JUDr. Daniel Křetínský
CHAIRMAN OF THE SUPERVISORY BOARD

Peter Černák
MEMBER OF THE SUPERVISORY BOARD

Mgr. Petr Sekanina
MEMBER OF THE SUPERVISORY BOARD

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by EP Investment S.à.r.l, with its registered office at Avenue John F. Kennedy 39, 1855, Luxembourg, registration number: B 184488. The consolidated financial statements are available at the consolidating entity's registered office.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by EP Power Europe, a.s., with its registered office at Praha 1, Josefov, Pařížská 130/26. The consolidated financial statements are available at the consolidating entity's registered office.

The Company does not prepare the consolidated financial statements and does not own any shares (or voting rights) in any other company.

The financial year corresponds to the calendar year. The financial statements have been prepared for the period from 1 January 2019 to 31 December 2019 ("2019"). The comparative period is the calendar year from 1 January 2018 to 31 December 2018 ("2018").

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union ("IFRS-EU"). The Company has prepared the individual financial statements in accordance with IFRS for the first time for the period ended 31 December 2019, as the Company's executive body decided pursuant to Section 19a of Act No. 563/1991 Coll., on Accounting, to apply IFRS-EU as the Company is obligated to present consolidated financial statements pursuant to IFRS-EU. Operations relating to the transition to IFRS include requirements on reporting and measurement of individual items of the financial statements as defined by the International Financial Reporting Standards ("IFRS").

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS) issued by International Accounting Standards Board (IASB), as adopted by the European Union.

The consolidated financial statements were approved by the board of directors on 30 June 2020.

These financial statements are not consolidated.

b) Basis of measurement

The financial statements have been prepared on a going-concern basis using the historical cost method, except for the following material items in the statement of financial position, which are measured at fair value:

- derivative financial instruments.

The following accounting policies have been consistently applied to all periods presented in these financial statements.

c) Functional and presentation currency

The functional and presentation currency of the Company is the Czech crown ("CZK").

The Company specialises in trading in energy commodities for subsidiaries of the Energetický a průmyslový holding, a.s. ("EPH Group"), and therefore is closely connected to the parent which reports in CZK for the purposes of internal reporting. The commodity trading across Europe is carried out in EUR. To a lesser extent, the Company also trades in pound sterling and US dollars.

The Company's main task is to provide EPH Group with services and know-how of commodity trading to achieve maximum efficiency, and to carry out speculative commodity trading. All Company's activities are managed from its head office in the Czech Republic and therefore the majority of its operating costs are denominated in CZK, including personnel costs. To cover currency risks and due to more favourable interest rates, loans and borrowings granted and received are denominated in EUR. Share capital is denominated in CZK.

In establishing the functional currency, the Company's management decided that both CZK and EUR are relevant for the Company's activities. Considering the above factors and the fact that the Czech Crown is the currency of the Czech Republic where the Company has its registered office and where it conducts its business activities, the Company's management made a judgement that CZK shall be the Company's functional currency.

d) Use of estimates and assumptions

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Group's management to make assumptions based on its own judgement in applying accounting policies. The reported accounting estimates – due to being estimates – rarely equal the real values.

Estimates and assumptions are reviewed on a continuous basis. Revisions of accounting estimates are reported in the period in which the estimate is reviewed, if the revision impacts only this period, or in the revision period and future periods, if the revision impacts the current and future periods.

I. Use of estimates

Information on uncertainty in estimates with increased risk of material revision in the following accounting period is listed in the following notes:

- Note 11 – Determination of fair value of derivatives
- Note 3(e)ii and Note 29(a) –Determination of adjustment to receivables

DETERMINATION OF FAIR VALUE

A number of the accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group to which the Company belongs has an established control framework with respect to the fair value measurement, including a valuation team with overall responsibility for reviewing all significant fair value measurements.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

To determine the fair value of an asset or liability, the Company uses, as far as possible, market observable data. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for an asset or a liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices)

Level 3: inputs for an asset or liability that is unobservable on the market (unobservable input data).

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement.

All derivatives are measured at market observable data – namely energy stock exchanges (excluding quoted prices), and therefore belong to Level 2. The Company does not own any assets or liabilities measured at Level 3.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no such changes in 2019 or 2018.

II. Use of estimates and judgements

The Company also carried out judgements relating to functional currency, as described in more detail in Note 2(c), and selected judgements relating to the application of IFRS 15, as described in more detail in Note 2(g).

3 Significant Accounting Policies

The following accounting policies have been consistently applied to all periods presented in these financial statements.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturities of three months or less.

b) Non-current assets

Property, plant and equipment

I. OWNED ASSETS

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (e) – Impairment).

Acquisition cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (h) – Finance revenues and expenses). The acquisition cost also includes costs of dismantling and removing the items.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

II. LEASED ASSETS (RIGHT OF USE) – IFRS 16 LEASES

The Company now assesses whether a contract falls under IFRS 16. For such contracts, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments.

If the contract does not meet the requirements of IFRS 16, the lease payments are reported on a straight-line basis throughout the term of the lease in profit or loss.

DEFINITION OF A LEASE

The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. An agreement is or contains a leasing arrangement if it gives the customer the right to control the use of an identified asset in a time period in exchange for consideration. Control exists if the customer has the right to obtain substantially all economic benefits from the use of the asset and also the right to direct its use.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases (lease term of 12 months or less). The Company recognises the lease payments associated with these leases as an expense.

The Company applies IFRS 16 to all leases including lease of right-of-use asset under sub-leasing, with the exception of:

(a) lease for investigating or use of minerals, oil, natural gas, and similar non-renewable resources;

(b) lease of biological assets under IAS 41 Agriculture, held by the lessee;

(c) service concession under IFRIC 12 Service Concession Arrangements;

(d) intellectual property rights licence provided by the lessor in the extent of IFRS 15 Revenue from contracts with customers; and

(e) intangible assets pursuant to IAS 38 Intangible assets

LESSOR ACCOUNTING

The lessor classifies a lease as either financial or operating. Lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In the case of finance lease, the lessor reports in its statement of financial position a receivable in an amount equal to the net financial investment in the leasing. Throughout the lease term, it reports financial revenues in the statement of comprehensive income.

In the case of operating lease, the lessor recognises an underlying asset in the report on financial position. Throughout the lease term, it reports lease payments as financial revenues in the income statement on a straight-line basis, and depreciation of the underlying asset as an expense.

In 2019 and 2018, the Company did not act as a lessor.

LESSEE ACCOUNTING

Upon the commencement of a lease arrangement, the lessee recognises a right-of-use asset against a lease liability, which is valued at the present value of the leasing payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Incremental borrowing rate is determined based on interest rates from selected external financial sources and adjustments made to reflect the terms of the lease.

The lease liability is subsequently measured at amortized cost under the effective interest rate method. Lease liability is remeasured if there is a change in:

- future lease payments arising from change in an index or rate;
- estimated future amounts payable under a residual guaranteed value;
- the assessment of the exercise of purchase, extension or termination option; or
- in-substance fixed lease payments.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets. In case the right-of-use assets has been reduced to zero, the adjustment is recognized in profit or loss.

The Company presents right-of-use assets in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use assets are initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

In the statement of comprehensive income, the lessee reports interest expense and (straight-line) depreciation of a right-of-use asset. A company (lessee) depreciates an asset in accordance with the requirements of the IAS 16. The asset is depreciated from the commencement date to the end of the lease term. If the underlying asset is transferred to the Company at the end of the lease term, the right-of-use asset is depreciated over the useful life of the underlying asset.

SERVICE PART OF A LEASE PAYMENT

Accounting for leases of vehicles, the Company does not separate the service fee from the lease payments. Total lease payments are used to calculate the lease liability. For other lease contracts the service fee is separated from the lease payments. Service fee is recognised as an expense in the statement of comprehensive income, the remaining portion is used to calculate the lease liability. .

LEASE TERM

The term of a lease arrangement is determined as of the lease arrangement commencement date based on the non-cancellable lease arrangement.

Lease agreements where the lease term is set for an unfixed term (or with a set notice term more than 12 months) cannot be regarded as short-term lease arrangements benefiting from an exception from application. The non-cancellable term is set for the determination of the value of an asset as the notice term. In the event the non-cancellable term is set as shorter than 12 months, a company applies the exception and assesses the transaction as a short-term lease arrangement.

III. SUBSEQUENT COSTS

Subsequent costs are capitalised only if it is probable that the future economic benefits embodied in an item of property, plant and equipment will flow to the Company and its cost can be measured reliably. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

IV. DEPRECIATION

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

- Buildings and constructions (right-of-use) 5 years (depending on the lease term)
- Fixtures, fittings and others 3–5 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date.

Intangible assets

V. SOFTWARE AND OTHER INTANGIBLE ASSETS

Software and other intangible assets acquired by the Company that have definite useful lives are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (e) – Impairment).

VI. AMORTIZATION

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, starting from the date the asset is available for use. The estimated useful lives are as follows:

- Software 3 years
- Other intangible assets 3 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

c) Financial assets and liabilities

Classification and measurement of financial assets and liabilities in the Company:

Financial instruments	IFRS 9
Financial assets	
Receivables from derivatives revaluation	FVTPL
Granted loans	FAAC
Cash and cash equivalents	FAAC
Trade receivables	FAAC
Financial liabilities	
Liabilities from derivatives revaluation	FVTPL
Loans and borrowings	FLAC
Trade payables and other financial liabilities	FLAC

FVTPL – financial assets/liabilities measured at fair value through profit or loss
FAAC – financial assets measured at amortised cost
FLAC – financial liabilities measured at amortised cost

Non-derivative financial assets

I. CLASSIFICATION

On initial recognition, a financial asset is classified as measured at amortised acquisition cost (FAAC), at fair value through other comprehensive income – debt instrument, at fair value through other comprehensive income – equity instrument, or at fair value through profit or loss (FVTPL). The classification of financial asset is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

Principal represents the fair value of the financial asset at initial recognition. Interest considers the time value of money, the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin. Loans and receivables which meet the SPPI test and the business model test are normally classified by the Company as financial asset at amortised cost.

A debt instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collection contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI test").

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The key type of financial assets measured at fair value through profit or loss by the Company are derivatives.

At initial recognition, the Company may irrevocably designate a financial asset measured at amortised cost or at FVOCI to the category measured at FVTPL, if doing so eliminates or significantly reduces a measuring or accounting mismatch ("accounting discrepancy") that could otherwise arise in measuring assets or liabilities or recognising relevant profits or losses on different bases.

II. RECOGNITION

Financial assets are recognised at the date the Company becomes party to the contractual provision of the instrument.

III. MEASUREMENT

Upon initial recognition, financial assets are measured at fair value plus, in the case of a financial instrument not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instrument. Attributable transaction costs relating to financial assets measured at fair value through profit or loss are recognised in profit or loss as incurred. For the methods used to estimate fair value, refer to Note 7 – Determination of fair value.

Financial assets at FVTPL are subsequently measured at fair value, with net gains and losses, including any dividend income, recognised in profit or loss.

Financial assets measured at amortized cost are subsequently measured at amortized cost using effective interest rate method. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognised in profit or loss.

IV. DERECOGNITION

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

V. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are initially recognised at the settlement date at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit and loss, where transaction costs are recognised in profit or loss as incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate, except for financial liabilities at fair value through profit or loss. For the methods used to estimate fair value, refer to Note 4 – Determination of fair value.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Derivatives

For risk and cash flow management purposes, the Company uses financial and commodity derivative contracts.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. On initial recognition, derivatives are measured at fair value and any change in fair value is recognised in profit or loss.

Remeasurement to fair value is recognised in profit or loss from operations as derivative trading is one of the principal activities of the Company. Gain (loss) from commodity derivatives for trading is recognised net in independent line "Gain /(loss) from commodity derivatives for trading" in profit or loss from operations.

The fair value of derivatives is classified as a non-current receivable or a non-current liability if the derivative is settled in more than 12 months, or as a current receivable or a current liability if the derivative is settled within 12 months.

d) Inverse gas storage facility

The principal activity of the Company involves trading with energy commodities. This includes also a product "inverse gas storage facility". This type of trade consists of a purchase of a certain capacity of underground gas storage facility which the Company is able to trade on the commodity market immediately following the signing of the contract with the gas storage facility operator. Under the contractual terms and conditions, the Company is obligated to return the purchased capacity at a certain point in time. The Company reports sales from gas when the acquired capacity is sold and at the same time reports estimated costs as estimated payables showing the future value of the purchased gas based on current forward purchase prices on the commodity market for which the gas will be subsequently returned. The value of estimated payables is accrued.

For this transaction, the Company pays the gas storage facility operator a fixed fee, reported in costs. The Company is entitled to calculate the estimated difference between the sales (actual) price and purchase (future) price of gas for which the Company will purchase the gas at the time it will be returned to the operator. This "premium" is reported as revenue from services in the year the contract on the immersed storage facility is concluded. Related payments are then accrued.

e) Impairment

I. NON-FINANCIAL ASSETS

The carrying amounts of the assets and deferred tax assets (refer to Note 3 (i) – Income taxes) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less sales costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

II. FINANCIAL ASSETS (INCLUDING TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS)

The Company reports loss allowances using the estimated credit loss model ("ECL") for financial assets measured at amortised acquisition costs, debt instruments reported in other comprehensive income ("FVOCI"). Loss allowances are measured on either of the following bases:

- 12 month ECL: estimated credit loss resulting from financial instrument's failure which may occur during the 12-month period from the date of recognition;
- Lifetime ECLs: these are ECLs that result from all possible default events of debtors over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition. For trade receivables, the Company decided to apply the calculation of loss allowances representing lifetime ECLs under a simplified regime.

The ECL model is based on the estimated credit loss principle. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I – III) or to a group of financial assets that are impaired at the date of the first recognition purchase or originated credit-impaired financial assets ("POCI"). At the date of the initial recognition, the financial asset is included in Stage I or POCI. Subsequent to initial recognition, financial asset is allocated to Stage II if there was a significant increase in credit risk since initial recognition or to Stage III of the financial asset has been credit-impaired.

The Company assumes that the credit risk on a financial asset has increased significantly if:

a) a financial asset or its significant portion is overdue for more than 30 days (if a financial asset or its significant portion is overdue for more than 30 days and less than 90 days, and the delay does not indicate an increase in counterparty credit risk, the individual approach shall be used and the financial asset shall be classified in Stage I); or

b) the Company negotiates with the debtor about debt's restructuring (at the request of the debtor or the Company); or

c) the probability of default (PD) of the debtor increases by 20 %; or

d) other material events occur which require individual assessment (e.g., development of external ratings of principal credit risk).

At each balance sheet day, the Company assesses whether impairment of financial assets measured at amortised cost occurred. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company considers financial asset to be credit-impaired if:

a) a financial asset or its significant part is overdue for more than 90 days; or

b) legal action has been taken in relation to the debtor, and the outcome or the actual process may have an impact on the debtor's ability to repay the debt; or

c) insolvency proceedings or similar proceedings under foreign legislation have been initiated in respect of the debtor, which may lead to a declaration of bankruptcy and the application for the opening of this proceeding has not been refused or rejected or the proceedings have not been discontinued within 30 days of initiation ((b) and (c) are considered as "Default event"); or

d) the debtor's probability of default increased by 100% compared to previous rating; or

e) other material events occur which require individual assessment (e.g., development of external ratings of principal credit risk).

For the purposes of ECL calculation, the Company uses components needed for the calculation, namely probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Exposure at default represents the positive difference between the receivable and liability, or between the deposit provided and received, by individual customers/suppliers.

Forward-looking information means any macroeconomic factor projected for future, which has a significant impact on the development of credit losses. ECLs are present values of probability-weighted estimate of credit losses. The Company considers mainly expected growth of gross domestic product, reference interest rates, stock exchange indices, and unemployment rates.

PRESENTATION OF LOSS ALLOWANCES

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and the year-on-year change is recognized in income statement.

f) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are recognised at the expected settlement amount. Long-term provisions are reported as liabilities at the present value of their expected settlement amounts, if the effect of discount is material, using as a discount rate the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss in finance costs.

The effects of changes in interest rates, inflation rates and other factors are recognised in profit or loss in operating income or expenses. Changes in estimates of provisions can arise in particular from deviations from originally estimated costs, from changes in the settlement date or in the scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss at the date of the change in estimate (see below).

g) Revenues

Revenues from energy trading comprise both realised (settled) and unrealised (change in fair value) net gains and losses from trading in physical and financial energy contracts. These contracts are recognised under IFRS 9 (e.g. as derivatives), until the time of settlement, and are reported in accordance with IFRS 15, when settled.

I. REVENUES FROM CONTRACTS WITH CUSTOMERS

The Company applies a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

The Company has identified the following main sources of Revenue in accordance with IFRS 15:

- sale of gas, electricity, emission rights and other energy products (energy products);
- services provided.

REVENUE FROM THE SALES OF ENERGY PRODUCTS TO DEALERS

The principal activity of the Company involves wholesale commodity trading – gas, electricity and emission rights. These contracts represent derivative trading. The Company recognises the revenue in accordance with IFRS 15 upon delivery (settlement) of the energy products to the customer. The moment of the transfer of the control over the products is considered as the moment of delivery, i.e. when the customer gains the benefits and the Company fulfils the performance obligation. Revenues are measured at spot prices (or their equivalent represented by agreed forward price and the fair value of the derivative right before the delivery) attributed to the transferred goods, and reflect the volume of delivery.

Contractual conditions are individual, however, and to a large extent, they are determined by a standard EFET contract or trade conditions on the market managed by the relevant market operator. Invoicing is performed in the month following the month of the trade settlement. In most cases, prepayments are not required. For most invoices issued, maturity is 20 days from the end of the invoicing period. Related receivables are presented in current assets in Trade receivables and other assets.

The Company accepts risks related to the acquisition of individual commodities, and their subsequent sale to customers is fully up to the Company. Under IFRS 15, the Company acts as a principal and not an agent. All realised revenues (and related costs) are therefore reported on a gross basis (gross amount including cost).

Derivative contracts for the purchase and sale of energy commodities are reported under IFRS 9 until the time of settlement. The own-use exception is not applied due to the character of the Company's business.

REVENUE FROM PROVIDED SERVICES

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer; recovery of the consideration is probable; and the amount of revenue can be measured reliably.

Revenue from provided services is reported in the statement of comprehensive income as at the balance sheet day. No revenue is recognised if there are significant doubts regarding the recovery of the consideration due, or the associated costs.

Revenue from services is connected with services rendered by the Company to other companies within the Group based on concluded service provision contracts. Services are invoiced monthly or quarterly. The prices are fixed. The revenues also include services provided to external customers, e.g. logistics and transfer fees. Prices and payment terms and conditions are based on individual contracts.

II. ENERGY TRADING

Revenues from energy trading comprise unrealised (change in fair value) net gains and losses from trading in physical and financial energy contracts.

h) Financial revenues and expenses

I. FINANCIAL REVENUES

Financial revenues comprise principally interest income from loans and realised and unrealised foreign exchange rate gains. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Realised and unrealised gains from commodity trading derivatives remeasurement are reported net together with realised and unrealised losses in the profit or loss from operations.

II. FINANCIAL EXPENSES

Financial expenses comprise mostly interest expense on loans and borrowings, bank fees, bonuses for guarantees issued by the parent and other external subjects, and unrealised and realised foreign exchange losses. Realised and unrealised losses from commodity trading derivatives remeasurement are reported net together with realised and unrealised gains in the profit or loss from operations.

i) Income tax

Income taxes comprise current and deferred tax. Income taxes are recognised in the statement of comprehensive income, except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised on the following temporary differences: temporary differences arising from the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax is based on the expected manner of realisation or settlement of the temporary differences, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but there is an intention to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 IFRS 1 application

These financial statements of EP Commodities, a.s. has been prepared in accordance with IFRS as adopted by the European Union for the first time.

The Company applied the accounting policies described in Note 3 below for all accounting periods in the financial statements.

When preparing the statement of financial position pursuant to IFRS-EU, the Company has adjusted the values reported in accordance with the Czech Accounting Standards. The method and justification of the adjustments as against the previous statutory financial statements prepared in accordance with the CAS are presented in Notes 5 and 6 of the notes to financial statements.

All estimates applied by the company at the beginning of the opening accounting period and in the comparative period are identical to the estimates established in accordance with the CAS, which means the estimates prepared in accordance with the CAS have not been adjusted with information received at a later stage.

STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following significant Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for the period ended 31 December 2019, and thus have not been adopted by the Company:

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020 (not yet adopted by EU))

Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2019.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the Board in 2001 ("Framework") or the Conceptual Framework for Financial Reporting issued in 2010. Amendment updates some of those references and quotations so that they refer to the 2018 Conceptual Framework and comprises other amendments clarifying which version of the Conceptual Framework is referred to in particular documents.

The amendments are not expected to have any material impact on the Company's financial statements.

Amendment to IFRS 3: Definition of a Business
(effective for annual periods beginning on or after 1 January 2020)

The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amended definition of business emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Moreover the amendment adds a supplementary guidance and an optional concentration test.

The amendments are not expected to have any material impact on the Company's financial statements.

Amendments to IAS 1 and IAS 8: Definition of material
(effective for annual periods beginning on or after 1 January 2020)

The amendment clarifies the definition of "material" and ensures that the definition is consistent across all IFRS Standards. The amended definition states, that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decision that the primary users make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are not expected to have any material impact on the Company's financial statements.

IFRS 17: Insurance Contracts
(effective for annual reporting periods beginning on or after 1 January 2021
(not adopted by EU yet))

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17 combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; presents insurance service results separately from insurance finance income or expenses; and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Because of the nature of the Group's main business it is expected that the Standard will have no impact on the Company's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform (interest-rate benchmarks such as interbank offered rates). In addition, the amendments require companies to provide additional information to investors about their hedging relationship which are directly affected by these uncertainties.

The Company is currently reviewing the effect on the amendment on its accounting policies.

The Company has not early adopted any IFRS standards where adoption is not mandatory at the reporting date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Company elects to apply the Standards prospectively from the date of transition.

5 Comparison of the statement of financial position, statement of changes in equity, and the cash flow statement

for the year ended 31 December 2018, in accordance with the Czech Accounting Standards ("CAS") and IFRS

The Company prepared the previous financial statements as at 31 December 2018, in accordance with Act No. 563/1991 Coll., on Accounting, as amended, and related regulations for business accounting, namely decree No. 500/2002 Coll., implementing certain provisions of the Act No. 563/1991 Coll., on Accounting. The financial statements have been prepared on a historical cost principle, except for derivatives which have been presented a fair value, same as under IFRS-EU.

a) Statement of financial position as at 31 December 2018, in line with the Czech Accounting Standards ("CAS") and IFRS

Statement of financial position

AT 31 DEC 2018

(in TCZK)

	31 Dec 2018 IFRS	31 Dec 2018 CAS	Net
Assets			
Property, plant and equipment	39,838	6,292	33,546 [1]
Intangible assets	23,358	22,913	445
Trade receivables	78,199	0	78,199 [2]
Deposits and margin deposits	1,875,489	1,875,489	0
Receivables from revaluation of derivatives	550,578	5,141	545,437 [3]
Deferred tax asset	6,974	6,974	0
Total non-current assets	**2,574,436**	**1,916,809**	**657,627**
Inventories	120,020	120,023	(3)
Trade receivables	4,632,401	4,710,826	(78,425) [2]
Deposits and margin deposits	1,485	1,485	0
Receivables from revaluation of derivatives	3,518,421	0	3,518,421 [3]
Loans granted	2,964,848	2,964,848	0
Cash and cash equivalents	138,445	138,445	0
Other non-financial assets	70,817	71,622	(805)
Total current assets	**11,446,437**	**8,007,249**	**3,439,188**
Total assets	**14,020,873**	**9,924,058**	**4,096,815**
Equity			
Share capital	100 000	100 000	0
Retained profits/(accumulated losses)	406,874	407,591	(717)
Profit (loss) for the current period	318,389	317,911	478
Total equity	**825,263**	**825,502**	**(239)**

	31 Dec 2018 IFRS	31 Dec 2018 CAS	Net
Liabilities			
Trade payables and other financial liabilities	27,144	0	27,144 [1]
Liabilities from revaluation of derivatives	542,533	0	542,533 [3]
Total non-current liabilities	**569,677**	**0**	**569,677**
Trade payables and other financial liabilities	5,659,164	5,646,058	13,106 [1]
Received deposits and margin deposits	2,297,512	2,297,512	0
Liabilities from revaluation of derivatives	4,583,190	1,061,866	3,521,324 [3]
Other non-financial liabilities	41,260	48,313	(7,053)
Tax liabilities	44,807	44,807	0
Total short-term liabilities	**12,625,933**	**9,098,556**	**3,527,377**
Total liabilities	**13,195,610**	**9,098,556**	**4,097,054**
Total equity and liabilities	**14,020,873**	**9,924,058**	**4,096,815**

DIFFERENCE BETWEEN THE CZECH ACCOUNTING STANDARDS AND IFRS COMPRISES PRINCIPALLY:

[1] Different approach of IFRS and CAS to leases. Under IFRS, leased assets are capitalised as right-of-use assets and correspondingly as lease liabilities (current and non-current). Under CAS, lease payments are directly expensed.

[2] Under CAS, deferred revenues are reported separately on an accrual basis and do not differentiate between current and non-current portion of the items (the table above shows all items under current receivables). Under IFRS, deferred revenues represent receivables which need to be differentiated by maturity. Therefore, the difference represents the non-current portion of deferred revenues.

[3] Differences between IFRS and CAS arise due to different recognition of receivables and payables from commodity derivatives revaluation. Under CAS, all receivables and payables from revaluation of derivatives were “netted” (i.e. the receivables and payables were mutually offset). Under IFRS, they are reported separately as current and non-current assets and liabilities.

Other differences are immaterial. Upon initial recognition, financial assets are measured at fair value plus, in case of a financial instrument not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instrument. In measuring the amortised cost, any difference between cost and redemption value is recognised in profit or loss over the period of the asset or liability on an effective interest rate basis.

At initial recognition, financial liabilities are reported at fair value including all direct transaction expenses as at the settlement date. Subsequently, financial liabilities are measured at amortised cost on an effective interest rate basis.

The effective interest rate method is not defined under CAS. Interest income/expense is derived from the contractual interest and is reported on an accrual basis in profit or loss.

b) Summary of changes in equity as at 31 December 2018 and 1 January 2018, pursuant to CAS and IFRS

(in TCZK)

	Share capital	Retained profits	Total equity
Balance at 1 Jan 2018, CAS	**100,000**	**407,593**	**507,593**
Adjustments for previous years		(719)	(719)
Balance at 1 Jan 2018, IFRS	**100,000**	**406,874**	**506,874**

	Share capital	Retained profits	Total equity
Balance at 31 Dec 2018, CAS	**100,000**	**725,502**	**825,502**
Adjustments for previous years		(719)	(719)
Profit (loss)		480	480
Balance at 31 Dec 2018, IFRS	**100,000**	**725,263**	**825,263**

The differences impacting equity are immaterial. Retained profits pursuant to IFRS are lower due to the impact of IFRS 16 and namely due to the creation of loss allowances pursuant to IFRS 9.

c) Summary of cash flows for the period ended as at 31 December 2018 pursuant to CAS and IFRS

Statement of cash flows

AT 31 DEC 2018

(in TCZK)

	2018 CAS	2018 IFRS	Net
Opening balance of cash and cash equivalents	**685,398**	**685,398**	**-**
Profit (loss) from ordinary activity, before tax	*393, 586*	*394,065*	*(479)*
Operating profit before changes in working capital	*402,339*	*355.056*	*47,283*
Net cash flow from operating activities	1,773,375	1,785,779	(12,404)
Net cash flow from investing activities	(2,320,328)	(2,306,230)	(14,098)
Net cash flow from financing activities		(914)	914
Net change of cash and cash equivalents	**(546,953)**	**(521,365)**	**(25,588)**
Effect of exchange rate fluctuations on cash held		(25,588)	25,588
Closing balance of cash and cash equivalents	**138,445**	**138,445**	**-**

PREVIOUS GAAP

The Company has prepared the previous cash flows statement for the year ended 31 December 2018 in accordance with Act No. 563/1991 Coll., on Accounting, as amended, and Decree No. 500/2002 Coll., implementing certain provisions of the Act No. 563/1991 Coll., on Accounting, as amended, and the Czech Accounting Standard No. 023, determining basic principles for preparation of the statement of cash flows to achieve compliance of the accounting policies used.

Under CAS, the statement of cash flows is based on the profit or loss, before tax; under IFRS, it is based on the profit or loss after tax. Adjustment for non-cash operations usually relates to expense / income interest, exchange rate differences, and gains / losses on derivative instruments. For the purposes of the statement of cash flows under IFRS, unrealised foreign exchange gains or losses were reflected (unlike under CAS), and at the same time, IFRS does not consider employee bonuses as provisions and therefore the change is part of a change in liabilities (under CAS, this is reported in separate position under change in provisions).

Cash flows from investments and operations are therefore impacted the most by unrealised foreign exchange gains and losses reporting.

Closing balance of cash and cash equivalents under CAS is not adjusted by revaluation as at the balance sheet day.

6 Comparison of the profit or loss for 2018 reported under CAS and under IFRS

Statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2018

(in TCZK)

	2018 IFRS	2018 CAS	Net
Sales	56,816,608	51,346,222	5,470,386 [1]
Cost of sales	(56,232,006)	(52,385,244)	(3,846,762) [1]
Gain (loss) from commodity derivatives for trading	(7,872)	0	(7,872) [1]
Subtotal	**576,730**	**(1,039,022)**	**1,615,752**
Personnel expenses	(98,109)	(98,109)	0
Depreciation and amortisation	(8,713)	(8,733)	20
Taxes and charges	(56)	(56)	0
Other operating income	6,113	6,113	0
Other operating expenses	(15,504)	(15,963)	459 [2]
Profit (loss) from operations	**460,462**	**(1,155,770**	**1,616,231**
Finance income	32,595	14,173,314	(14,140,719) [1]
Finance expense	(98,992)	(12,623 959)	12,524,967 [1]
Net finance income (loss)	**(66,397)**	**1,549,355**	**(1,615,752)**
Profit (loss) before income tax	394,065	393,585	480
Income tax expenses	(75,676)	(75,676)	0
Profit for the period	**318,389**	**317,909**	**480**

DIFFERENCE BETWEEN THE CZECH ACCOUNTING STANDARDS AND IFRS COMPRISES PRINCIPALLY:

[1] Under CAS, derivatives revaluation and settlement was reported under financial revenues and financial expenses on a gross basis. Under IFRS, these transaction are reported in profit or loss from operations on a net basis. Under IFRS, foreign exchange gains and losses are offset (reported under financial expenses), while under CAS, foreign exchange gains and foreign exchange losses are reported separately.

Another difference between CAS and IFRS is that under IFRS, spot price enters the sales/cost of physical delivery of commodities (contractual price adjusted by fair value of the contract prior to the moment of settlement), while under CAS, contractual price, i.e. fixed by the terms and conditions of a specific contract, enters the sales. The difference between the spot and contractual prices has been calculated and reclassified in line with IFRS methodology in full amount of TCZK (1,623,624) between sales, cost of sales, gain/loss from commodity derivatives for trading, financial revenues and financial expenses.

[2] Loss allowances recognised in line with IFRS 9, resulting difference of TCZK 459.

7 Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability if applicable.

a) Non-derivative financial assets

Net book value of financial assets not measured at fair value represents an approximation of their fair value as financial assets mostly comprise current receivables, or non-current receivables where the financing element is not significant, cash, deposits and margin deposits the value of which generally corresponds with the nominal value of paid cash.

Due to the credit quality of the counterparty and the short remaining maturity of the instruments, the fair values of those loans are close to their net book value.

b) Non-derivative financial liabilities

Net book value of financial liabilities not measured at fair value represents an approximation of their fair value as financial liabilities mostly comprise current payables, or non-current payables where the financing element is not significant, cash, received deposits and margin deposits the value of which generally corresponds with the nominal value of paid cash.

Due to the contractual character of the liabilities, namely the option to settle the liabilities in full free of any sanctions, their fair value is close to their net book value.

c) Derivatives

The fair value of commodity derivatives (forward and swap contracts), for the sale of electricity, gas and emission rights is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). From the point of view of IFRS 3, determination of fair value comes under level 2 as it is based on the active market prices of gas, electricity and emission rights.

Clean dark spread option contracts represent financially settled derivative contracts whose fair value is determined by the BlackScholes model used to determine the value of options, and the input data of this model comprise the market prices of the underlying assets (electricity, coal, emission rights). From the point of view of IFRS 13, determination of fair value comes under level 2 as it is based on the active market prices of gas, electricity and emission rights.

Fair value of currency derivatives (currency forwards) derives from the market prices of identical currency pair with identical settlement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty where appropriate.

8 Non-current assets

2018

(in TCZK)

	Land and buildings[1]	Technical equipment, plant and machinery[1]	Total
Acquisition cost			
Balance at 1 Jan 2018	**–**	**177**	**177**
Adjustment for change in accounting policy (IFRS 16)	**32,775**	**1,682**	**34,457**
Additions	2,282	5,577	7,859
Disposals	(904)	(8)	(912)
Balance at 31 Dec 2018	**34,153**	**7,428**	**41,581**
Depreciation and impairment losses			
Balance at 1 Jan 2018	**–**	**(33)**	**(33)**
Depreciation charge for the year	(421)	(1,289)	(1,710)
Disposals	–	–	–
Balance at 31 Dec 2018	**(421)**	**(1,322)**	**(1,743)**
Carrying amount			
At 1 Jan 2018	32,775	1,826	34,601
As at 31 Dec 2018	**33,732**	**6,106**	**39,838**

2019

(in TCZK)

	Land and buildings[1]	Technical equipment, plant and machinery[1]	Total
Acquisition cost			
Balance at 1 Jan 2019	**34,153**	**7,428**	**41,581**
Additions	–	532	532
Disposals	–	–	–
Balance at 31 Dec 2019	**34,153**	**7,960**	**42,113**
Depreciation and impairment losses			
Balance at 1 Jan 2019	**(421)**	**(1,322)**	**(1,743)**
Depreciation charge for the year	(6,251)	(2,315)	(8,566)
Disposals	–	–	–
Balance at 31 Dec 2019	**(6,672)**	**(3,637)**	**(10,309)**
Carrying amount			
At 1 January 2019	33,732	6,106	39,838
As at 31 Dec 2019	**27,481**	**4,323**	**31,804**

[1] Including right-of-use assets

Leases

The Company leases office premises including parking spaces. The lease contract is concluded until 30 June 2024. The Company also leases passenger cars, recognised in line with IFRS 16 as non-current assets. Lease contracts are concluded for a period of 3 years.

Right-of-use asset

(in TCZK)

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 Jan 2018	**32,775**	**1,682**	**34,457**
Depreciation charge for the year	0	0	0
Additions to right-of-use assets	0	0	0
Disposals of right-of-use assets	(904)	(7)	(911)
Balance at 31 Dec 2018	**31,871**	**1,675**	**33,546**

Maturity analysis of lease liabilities

(in TCZK)

	2018
Total lease liabilities	**33,546**
Under 1 year	6,401
1–5 years	27,144

Right-of-use asset

(in TCZK)

	Land and building	Technical equipment, plant and machinery	Total
Balance at 1 Jan 2019	**31,871**	**1,675**	**33,546**
Depreciation charge for the year	(5,795)	(912)	(6,707)
Additions to right-of-use assets	0	480	480
Disposals of right-of-use assets	0	0	0
Balance at 31 Dec 2019	**26,076**	**1,243**	**27,319**

Maturity analysis of lease liabilities

(in TCZK)

	2019
Total lease liabilities	**27,533**
Under 1 year	6,606
1–5 years	20,927

9 Trade receivables

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Trade receivables	6,808,212	4,427,459	3,882,276
Estimated receivables	1,019,853	160,481	173,648
Other receivables and assets	230,592	122,884	0
Loss allowances for receivables	(522)	(224)	(684)
Total	**8,058,135**	**4,710,600**	**4,055,240**

Estimated receivables represent current uninvoiced sales realised mostly with related parties.

Other receivables and other assets represent mostly deferred revenues on an accrual basis in the form of a premium related to the inverse gas storage, which the Company receives from the gas storage operator, and deferred revenues realised in the course of a single project relating to the optimisation of the division of assets with related party Lausitz Energie, commenced in 2018. As shown in the following table, some of the receivables are non-current.

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Other receivables and assets – current	95,516	44,685	0
Other receivables and assets – non- current	135,076	78,199	0
Other receivables and assets – total	**230,592**	**122,884**	**0**

In 2019, receivables of CZK 0 were written-off through profit or loss (2018: CZK 0).

As at 31 December 2019, no receivables are subject to pledges (2018: CZK 0).

As at 31 December 2019, trade receivables and other assets of TCZK 2,700 were overdue (2018 : CZK 0); the remaining portion are trade receivables within due date. For more detailed ageing analysis refer to Note 29 (a) – Risk management – credit risk (impairment losses).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 29 – Risk management and disclosure principles.

10 Deposits and margin deposits

Long-term advances paid represent mostly trading security deposits (commodity stock exchange, market operators, operators of transmission pipeline system for natural gas and electricity).

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Margins – long-term advances	1,554,798	1,875,489	613,891
Long-term advances – operations	13,882	1,485	38,963
Total deposits and margin deposits	**1,568,680**	**1,876,974**	**652,854**

11 Derivatives

a) Receivables from the revaluation of commodity derivatives

Receivables from the revaluation of commodity derivatives for trading

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Commodity derivatives	**8,669,621**	**4,068,998**	**2,003,689**
Current	7,952,339	3,518,420	1,909,532
Non-current	717,282	550,578	94,157

As at 31 December 2019, receivables from the revaluation of derivatives from companies controlled by the ultimate owner total TCZK 4,179,669 (as at 31 December 2018, TCZK 1,726,838), and receivables from associates of the ultimate owner total TCZK 165,831 as at 31 December 2019 (31 December 2018: TCZK 924,998).

b) Payables from the revaluation of commodity derivatives

Payables from the revaluation of commodity derivatives for trading

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Commodity derivatives	**8,562,119**	**5,125,723**	**1,354,853**
Current	7,851,181	4,583,190	1,274,827
Non-current	710,938	542,533	80,026

As at 31 December 2019, payables from the revaluation of derivatives from companies controlled by the ultimate owner total TCZK 2,254,827 (as at 31 December 2018, TCZK 2,506,648), and payables to associates of the ultimate owner total TCZK 658,413 as at 31 December 2019 (31 December 2018: TCZK 977,857).

Derivatives reported at fair value fall under level 2 in the fair value hierarchy (for details on valuation methods, refer to Note 2(d)i).

Receivables and payables from the revaluation of commodity derivatives by type:

31 DEC 2019

(in TCZK)

	Fair Value		Nominal value	
	Assets	Liabilities	Assets	Liabilities
Financially settled OTC contracts (power swap)	1,497,247	504,316	8,377,794	3,127,186
Forwards – settled physically	6,858,400	7,574,426	43,921,081	39,012,942
Options*	311,352	332,907	415,335	453,558
Currency forwards	2,622	529	100,245	77,831
Unsettled portion of the fair value of stock exchange trades	0	149,941	0	0
Total	**8,669,621**	**8,562,119**	**52,814,455**	**42,671,517**

31 DEC 2018

(in TCZK)

	Fair Value		Nominal value	
	Assets	Liabilities	Assets	Liabilities
Financially settled OTC contracts (power swap)	1,406,634	929,697	6,408,586	5,306,277
Forwards – settled physically	2,426,981	3,915,894	20,135,449	17,132,228
Options*	231,509	233,888	203,144	176,588
Currency forwards	0	0	0	0
Unsettled portion of the fair value of stock exchange trades	3,874	46,244	0	0
Total	**4,068,998**	**5,125,723**	**26,747,179**	**22,615,093**

* Bonus relating to these options is part of their fair value.

The table below shows the analysis of the derivatives as at the end of the reporting period by individual products and divided by sale/purchase and whether the resulting revaluation represents a receivable or a payable.

(in TCZK)

	31 Dec 2019		31 Dec 2018	
Purchase	**Receivable**	**Liability**	**Receivable**	**Liability**
Electricity	456,294	2,445,224	2,178,870	145,747
Gas	114	4,320,217	320,326	563,614
CO_2	816	21,153	321,755	0
Other	40,314	339,360	454,892	46,244
Sale	**Receivable**	**Liability**	**Receivable**	**Liability**
Electricity	3,088,654	933,618	122,064	1,225,386
Gas	4,616,889	101	670,963	457,936
CO_2	150,101	313,606	128	2,373,398
Other	316,439	188,840	0	313,398
Total	8,669,621	8,562,119	4,068,998	5,125,723

The tables above show the fair values of the derivatives' open positions with OTC counterparties. Changes in market price (and therefore fair value) of stock exchange contracts are settled daily with the stock exchange with a one-day delay and the only value of these contracts entering into receivables and payables is the unsettled portion of the fair value of stock exchange trades as at the last day of trading.

Therefore, in the balance sheet, the Company does not record the fair values of stock exchange contracts (futures) as the fair value has already been settled, and the fair values of the derivatives are not part of the above summary (except for the revaluation on the last day). However, the Company monitors the nominal value of open stock exchange contracts by type of stock exchange where the trade is settled, and by position (sale/purchase). The table below shows the summary of nominal values:

AS AT 31 DEC 2019

in TCZK

Stock exchange	Purchase	Sale	Net
European Energy Exchange AG	(58,192,225)	41,653,896	(16,538,329)
Intercontinental Exchange, Inc.	(14,970,502)	(10,106,541)	(4,863,961)
Total	**(73,162,727)**	**(51,760,437)**	**(21,402,290)**

AS AT 31 DEC 2018

in TCZK

Stock exchange	Purchase	Sale	Net
European Energy Exchange AG	(56,925,676)	57,249,949	324,273
Intercontinental Exchange, Inc.	(6,282,019)	2,372,608	(3,909,411)
Total	**(63,207,695)**	**59,622,557**	**(3,585,138)**

Reconciliation of changes in derivatives and the relation between the cash flow statement (CF) and the statement of comprehensive income

(in TCZK)

	2019	2018
Change in trade receivables and liabilities from revaluation of derivatives (see CF)	**1,164,226**	**(1,705,560)**
Financial settlement of swaps	758,216	240,017
Derivative contracts settled through stock exchange	(680,821)	3,090,355
Physically settled contracts*	(977,102)	(1,623,624)
Other	(1,951)	(9,060)
Net gain (loss) from commodity derivatives for trading (see Note 24)	**262,568**	**(7,872)**

* Physically settled contracts represent the fair value that is transferred to sales or cost of sales when the physically settled contracts are delivered.

12 Deferred tax assets and liabilities

Deferred tax assets recorded in the balance sheet relate to the following items:

(in TCZK)

	Recognised in profit or loss	Recognised in equity	Recognised in profit or loss	Recognised in equity	1 Jan 2018	31 Dec 2019	31 Dec 2018
Non-current assets	241	80	161	161	0		
Adjustments							
Provisions	6,543	(270)	6,813	5,208	1,605		
Total deferred tax asset	**6,784**	**(190)**	**0**	**6,974**	**5,369**	**0**	**1,605**

13 Inventories

The Company regularly leases storage capacity in gas storage facilities to ensure standard security of gas deliveries for its customers and for the gas network in Slovakia. The table below shows the summary of the gas reserves.

Inventories are measured at the lower of the acquisition cost and net realisable value and are not remeasured to fair value as at the balance sheet day. Acquisition costs of inventories comprises the cost directly incurred in connection with the acquisition.

GAS RESERVES

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Total	**0**	**120,020**	**24,827**

14 Loans granted

(in TCZK)

	Interest rate [1]	Due date (expiry)	31 Dec 2019	31 Dec 2018	1 Jan 2018
Loans to other than credit institutions			**2,669,665**	**2,964,848**	**629,728**
Energetický a průmyslový holding, a.s.	1.5% p.a. + 3m EURIBOR	31 Dec 2020	1,905,750	2,220,117	0
EP Power Europe, a.s.	4.04% p.a.	27 April 2020	763,915	744,731	629,728

[1] Euribor rate was negative throughout the year and in line with the loan agreements, if lower than 0, it is not included in the interest rate.

Both loans provided can be repaid at any time without additional fees. Both loans are due in 2020, and therefore are recognised as current. On 24 April 2020, the initial due date of the loan to EP Power Europe, a.s., was extended until 15 September 2020. There were no other changes.

Reconciliation of changes in short-term loans granted

LOANS GRANTED

(in TCZK)

	2019	2018
Balance at 1 Jan	**2,964,848**	**629,728**
Loans granted	2,680,497	3,321,724
Loans repaid	(3,007,869)	(1,038,973)
Interest income	39,881	32,595
Interest paid	(8,856)	(793)
Foreign exchange gains/losses	1,164	20,567
Balance at 31 Dec	**2,669,665**	**2,964,848**
Changes in credit throughout the year	**(295,183)**	**2,335,120**

15 Cash and cash equivalents

No loss allowance in accordance with IFRS 9 was created to the cash. As the banks where the Company holds its bank accounts are listed in rated companies, the probability of default of the debtor is assessed at zero, for details refer to Note 29a.

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Current bank accounts and cash at hand	**121,238**	**138,445**	**685,398**

16 Other non-financial assets

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Total other non-financial assets	**32,213**	**70,817**	**66,065**
Prepaid expenses	9,960	13,168	8,902
Tax assets	22,246	57,644	57,163
Other assets	7	5	0

In August 2019, a tax audit pursuant to Section 87 (1) of the Tax Code, value added tax, for September 2015 and October 2015 was completed. Based on the results of the audit, the Specialised Tax Office refused to recognise a deduction claim of TCZK 23,400 (September 2015: TCZK 16,700 and October 2015: TCZK 6,700). The Company is convinced of the justifiability of the claim and therefore has lodged an appeal to the Appellate Financial Directorate. As at the date of the annual report, no legitimate decision has been made. However, according to established information, the Appellate Financial Directorate indicates a recognition of the claim for September 2015.

17 Share capital

Share capital and share premium

As at 31 December 2019 and 31 December 2018, the approved, issued and fully paid share capital comprised 10 pcs ordinary registered shares in certified form at a nominal value of CZK 100,000,000.

The shareholders are entitled to receive dividends and to ten votes per one share at a nominal value of CZK 10,000,000 at the general meeting of the Company.

As at 31 December 2019 and 31 December 2018, the sole shareholder has been EP Power Europe, a.s.

AS AT 31 DEC 2019

	Shares held	Ownership interest %	Voting rights %
EP Power Europe, a.s.	10	100	100
Total	**10**	**100**	**100**

18 Trade payables and other financial liabilities

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Trade payables	7,013,735	4,320,595	3,880,930
Estimated payables	1,660,700	590,635	623,004
Deferred expenses	729,385	723,054	633,289
Lease liabilities (IFRS16)	27,533	33,545	34,457
Other liabilities	15,037	18,479	18,618
Total	**9,446,390**	**5,686,308**	**5,190,298**

Of which the long-term portion of trade payables and other financial liabilities comprises:

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Estimated payables	627,420	0	0
Lease liabilities – non-current	20,927	27,144	29,630
Total	**648,347**	**27,144**	**29,630**

Estimated payables represent principally non-current estimated payable relating to the inverse gas storage facility totalling TCZK 627,420, under which the Company will be obligated to return the purchased capacity at a certain point in time (during 2021). It also represents uninvoiced supplies by SNAM RETE GAS, totalling TCZK 263,629 (as at 31 December 2018 and 1 January 2018, TCZK 298,662 and TCZK 511,890, respectively), and uninvoiced supplies by ČEZ, a.s., totalling TCZK 223,035 (as at 31 December 2018 and 1 January 2018, TCZK 272,289 and TCZK 107,297, respectively), and as at 31 December 2019, other uninvoiced supplies totalling TCZK 472,944.

Deferred expenses comprise principally accrued gas supplies from Gazprom Marketing & Trading Ltd., totalling TCZK 715,104 (as at 31 December 2018 and 1 January 2018, TCZK 721,268 and TCZK 627,451, respectively). Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

As at 31 December 2019 and 31 December 2018, trade payables and other payables were not secured.

The Company reports overdue trade payables of under 30 days, of TCZK 340 (2018: TCZK 193).

As at 31 December 2019 and 31 December 2018, no liabilities to tax authorities were overdue.

19 Loans and borrowings

Loans and borrowings

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Loans and borrowings – credit institutions			
current	410,281	0	0
non-current	0	0	0
Total	**410,281**	**0**	**0**

Bank loan at amortised cost

The Company has two overdraft loans, and as it is at the Company's discretion to repay the loans, both overdrafts are recognised as current, as repayment is expected shortly. The following table shows details of the overdrafts as at 31 December 2019:

(in TCZK)

	Principal	Amortised interest	Maturity	Interest rate (%) drawn portion of the loan [1]	Interest rate (%) undrawn portion of the loan	Effective interest rate (%), drawn portion	Effective interest rate (%), undrawn portion
Commerzbank – overdraft	410,104	0	17 June 2020	1.1% p.a. + 1m EURIBOR	0.25%	1.12%	0.27%
UniCredit – overdraft	177	0	16 June 2021	0.6% p.a. + 1m Euribor	0.30%	0.60%	0.30%
Total	**410,281**						

[1] Euribor rate was negative throughout the year and in line with the loan agreements, if lower than 0, it is not included in the interest rate.

Credit facility agreements

In June 2019, the company entered into credit agreements with Commerzbank Aktiengesellschaft, Prague branch, and Unicredit Bank Czech Republic and Slovakia a.s., involving committed revolving credit lines repayable at any time, which means the net book value is equal to the credit fair value. The committed credit line total MEUR 60.

Reconciliation of changes in short-term received bank loans

RECEIVED LOANS

(in TCZK)

Balance at 1 Jan 2019	**0**
Received loans	7,172,419
Repayment of borrowings	(6,756,953)
Interest expense	8,296
Interest paid	(8,296)
Foreign exchange gains/losses	(5,185)
Balance at 31 Dec 2019	**410,281**
Changes in credit throughout the year	**410,281**

In 2018, the Company did not draw any overdrafts or other credits. Therefore there have not been any payments, and the interest paid in 2018 relates to negative interest on the margin account..

20 Received deposits and margin deposits

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2019
Total received deposits and margin deposits	**1,466,613**	**2,297,512**	**1,046,440**

Received deposits comprise received short-term security deposits from business partner (namely related parties) relating to commodity stock exchange trading.

21 Other non-financial liabilities

(in TCZK)

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Payables to employees relating to payroll	4,401	3,542	2,683
Payables to health insurance and social security institutions	2,042	1,858	1,079
Payables to employees relating to untaken holidays and bonuses	34,435	35,860	8,448
Other tax liabilities	0	0	13,824
Total	**40,878**	**41,260**	**26,034**

22 Sales

The Company sales comprise sales from the sale of energy commodities and related services.

Sales analysis by product type:

Sales

(in TCZK)

	2019	2018
Sale of electricity	29,828,680	8,892,267
Sales of gas	35,341,863	39,853,241
Sale of CO_2	15,059,998	7,718,966
Sale of services	738,209	352,134
Total sales	**80,968,750**	**56,816,608**

Sale of services relates to securing the sale of energy commodities to business partners and comprises principally revenues from SLA concluded, transfer, service, variable and other fees.

Customers representing over 10% of sales:

In 2019, revenues from EP Produzione S.p.A., and European Commodity Clearing represented over 10% of total sales. In 2018, over 10% of sales came from EP Produzione S.p.A., European Commodity Clearing, and EP Produzione Centrale Livorno Ferraris S.p.A.

Sales analysis by registered office of the counterparty:

SALES BY COUNTERPARTY REGISTERED OFFICE IN 2019

(in TCZK)

	Total	DE	IT	CZ	FR	GB	LU	Other
Sale of electricity	29,828,680	5,466,870	761,488	1,584,281	8,314,754	5,611,838	7,488,666	600,783
Sale of gas	35,341,863	2,433,859	9,022,461	4,159,196	1,338,182	7,276,183	1,582,617	9,529,365
Sale of CO_2	15,059,998	6,032,579	7,179,731	471,093	383,717	730,880		261,998
Sale of services	738,209	265,102	47,931	19,263	48,177	6,564		351,172
Total sales	**80,968,750**	**14,198,410**	**17,011,611**	**6,233,833**	**10,084,830**	**13,625,465**	**9,071,283**	**10,743,318**

SALES BY COUNTERPARTY REGISTERED OFFICE IN 2018

(in TCZK)

	Total	DE	IT	CZ	FR	GB	LU	Other
Sale of electricity	8,892,267	2,074,117	5,746	192,212		3,090,586	3,018,853	510,753
Sale of gas	39,853,241	2,359,015	17,079,736	3,368,264	441,199	6,770,585	2,389,878	7,444,564
Sale of CO_2	7,718,966	4,446,559	3,206,705					65,702
Sale of services	352,134	159,260	21,840	14,129		6,507	13,954	136,444
Total sales	**56,816,608**	**9,038,951**	**20,314,027**	**3,574,605**	**441,199**	**9,867,678**	**5,422,685**	**8,157,463**

Remaining performance obligations

The Company used practical expedients in line with IFRS 15 and in the framework does not report revenues relating to performance obligations that are unfulfilled or partially unfulfilled as at the balance sheet day, whose original term was one year or less, and revenues from contracts where the company reports revenues in the amount of the performance provided.

With regard to concluded energy commodities transactions, open contracts represent derivatives and are revalued in line with IFRS 9 (in line with IFRS 15 only at the moment of delivery). Summary of nominal values relating to open derivative contracts is described in Note 11.

The Company has entered into long-term contracts with Lausitz Energie Kraftwerke AG, Lausitz Energie Bergbau AG, Gazel Energie Generation SAS and Gazel Energie Solutions SAS. Based on these contracts, the Company re-invoices incurred costs with agreed margin. As the re-invoiced costs represent deferred incurred costs which cannot be reliably estimated and as realised revenues correspond to ongoing invoicing, the Company does not report contractual revenues.

Due to the above, the Company does not report performance obligations that are unfulfilled or partially unfulfilled as at the balance sheet day.y.

Further information on revenues from contracts with customers

Revenues from contracts with customers in line with IFRS 15 is reported under Sales. In 2019 and 2018, no revenue was recognised from performance obligations satisfied (or partially satisfied) in previous accounting periods. The Company does not record contract assets and liabilities or the cost of acquiring or performing a contract.

23 Cost of sales

(in TCZK)

	2019	2018
Cost of electricity sold	29,762,245	8,846,714
Cost of gas sold	35,471,447	39,795,592
Cost of CO_2 sold	15,064,733	7,393,491
Materials and energy used	1,897	3,191
Services*	243,285	193,018
Total costs	**80,543,607**	**56,232,006**

* Cost of services represents principally fees relating to the Company's access to the commodity market, monitoring, broker services, gas transportation, gas storage, tax, legal and other advisory fees and fees for other outsourced services..

24 Gain / (loss) from commodity derivatives for trading

Net gain (loss) from commodity derivatives for trading

(in TCZK)

	2019	2018
Gain (loss) from commodity derivatives for trading	**262,568**	**(7,872)**
Gain (loss) from commodity derivatives for trading Gas	(136,600)	222,612
Gain (loss) from commodity derivatives for trading Electricity	480,233	(346,233)
Gain (loss) from commodity derivatives for trading CO_2	44,494	(4,384)
Gain (loss) from commodity derivatives for trading Other	(125,559)	120,133

In 2019, the gain / (loss) from commodity derivatives for trading in relation to companies controlled by the ultimate owner totalled TCZK 2,179,417 (2018: TCZK (5,723,288)), and in relation to associates of the ultimate owner TCZK (1,140,917) (2018: TCZK (719,401)).

25 Personnel expenses

(in TCZK)

	2019	2018
Total	**(112,670)**	**(98,109)**
Wages and salaries	88,986	53,866
Compulsory social security contributions	24,353	16,628
Other social expenses	754	204
Untaken holidays and employee bonuses*	(1,423)	27,411

* This comprises the utilisation of the estimate for employee bonuses and untaken holidays from previous period, and creation of estimate for the same for the current accounting period.

Average number of employees, members of the board of directors and supervisory board in 2019 was 70 (2018: 56). Members of the board of directors and supervisory board are not compensated for the performance of their offices.

As at 31 December 2019, the Company had no pension liabilities towards former members of management, supervisory and administrative bodies.

26 Financial revenues and expenses

(in TCZK)

	2019	2018
Interest revenue	39,881	32,595
Finance income	**39,881**	**32,595**
Interest expense (by effective interest rate)	(8,770)	(5,204)
Cost of commission and bank fees	(68,415)	(60,543)
Net foreign exchange loss	(7,573)	(33,245)
Finance expense	**(84,758)**	**(98,992)**
Net finance income (loss)	**(44,877)**	**(66,397)**

27 Income tax expenses

Income tax

(in TCZK)

	2019	2018
Current tax – current year	96,493	81,107
Changes in tax estimate for previous period	(817)	(63)
Deferred tax	190	(5,369)
Total income tax	**95,866**	**75,675**

The current income tax is calculated at 19% of the estimated taxable profit. Deferred tax is calculated using the income tax rate anticipated in future periods, i.e. 19%.

(in TCZK)

	2019		2018	
Profit before tax	**492,312**		**394,065**	
Income tax using the effective income tax rate	93,539	19.00%	74,872	19.00%
Impact of items that are never tax-deductible	2,327	0.47%	803	0.20%
Total income tax/effective tax rate	**95,866**	**19.47%**	**75,675**	**19.20%**

The estimated current income tax for 2019 of TCZK 96,493 was reduced by income tax prepayments of TCZK 70,355, and the net payable was reported in tax receivables (TCZK 26,138). In 2018, the estimated income tax of TCZK 81,107 was reduced by income tax prepayments of TCZK 36,300 and the net payable was reported in tax receivables (TCZK 44,807).

28 Financial guarantees

As at 31 December 2019 and 2018, the Company had concluded the following guarantees in favour of its suppliers and business partners:

(in TCZK)

Guarantor	31 Dec 2019	31 Dec 2018
Energetický a průmyslový holding, a.s.	13,126,402	10,238,899
Sumitomo Mitsui Banking Corporation	746,546	652,901
HSBC Bank plc	7,264	1,368
EP Power Europe, a.s.	38,115	0
Total	**13,918,327**	**10,893,168**

29 Risk management and disclosure principles

This section describes in detail the financial and operational risks the Company is exposed to and its risk management methods. Principal types of financial risks to which the Company is exposed comprise commodity risk, credit risk, liquidity risk, interest rate risk, and foreign exchange risk.

As part of its operations, the Company is exposed to different market risks, notably the risk of changes in commodity prices, and to some extent also interest rates and exchange rates risks. To minimise this exposure, the Company enters into derivatives contracts to mitigate or manage the risks associated with individual transactions and overall exposures, using instruments available on the market.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk from trade receivables and payables with wholesale partners on the OTC market, and on the other hand from derivative contracts on commodity stock exchange and from financial instruments applied to margin requirements.

Credit risk is managed on the level of risk owners, on the level of individual sections. As part of credit risk management process, the Company primarily strives to prevent the risk from occurring, performs regular or one-off scoring of wholesale partners, monitors external rating of cooperating banks, determines and monitors the compliance with binding exposure limits for individual partners, etc. The Company monitors the development of receivables, customers' payment behaviour, performs analysis of the ageing structure of receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

DETERMINING THE PROBABILITY OF DEFAULT

Probability of default – probability of debtor failure i.e. the probability the debtor will fail to meet its obligations.

Offsetting receivables and debts – the option to offset receivables and debts from transactions carried out under standard framework agreements (EFET, ISDA) is based on the legal opinions of renowned solicitors for individual jurisdictions. Under the Czech legal regulations, this option is reflected in the provisions on "close-out netting arrangement" of Section 193 et seq., of Act No. 256/2004 Coll., on Capital Market Undertakings.

EPC analyses debtors by the following categories:

1 Rated companies

The Company's risk section monitors the ratings of individual companies by rating agencies (S&P, Moody´s, Fitch). The Company applies the default rate analysis on individual ratings by S&P.

2 Non-rated companies

For non-rated companies, the Company uses publicly accessible information on 12-month PD for non-financial sector, such as information published by the CNB (1.2% for 2018 which is the latest available information). For other debtors with their registered office outside the Czech Republic, the Company uses available data usually issued by the local national bank.

3 Companies in the Energetický a průmyslový holding, a.s. Group (the "EPH")

For companies within the EPH, the Company uses derived rating for EPH companies by S&P.

4 Regulated companies

For regulated companies, such as stock exchanges, banks, and market operators for individual commodities, the Company considers the PD to be minimal and does not recognise an adjustment due to its immateriality.

The following tables show the maximum exposure to credit risk by the type of counterparty and by geographic region as at the reporting date:

Credit risk by type of counterparty

AS AT 31 DEC 2019

(in TCZK)

	Corporates (non-financial institutions)	Banks	Total
Financial assets	**20,650,860**	**436,479**	**21,087,339**
Receivables from revaluation of derivatives	8,667,526	2,095	8,669,621
Deposits and margin deposits	1,255,531	313,149	1,568,680
Cash and cash equivalents	3	121,235	121,238
Trade receivables	8,058,135		8,058,135
Loans granted	2,669,665		2,669,665

AS AT 31 DEC 2018

(in TCZK)

	Corporates (non-financial institutions)	Banks	Total
Financial assets	**13,621,428**	**138,438**	**13,759,866**
Receivables from revaluation of derivatives	4,068,999		4,068,999
Deposits and margin deposits	1,876,974		1,876,974
Cash and cash equivalents	7	138,438	138,445
Trade receivables	4,710,600		4,710,600
Loans granted	2,964,848		2,964,848

Risk by location of debtor

AS AT 31 DEC 2019

(in TCZK)

	Total	EU	Europe excl. the EU	Czech Republic
Financial assets	**21,087,339**	**16,545,474**	**317,440**	**4,224,425**
Receivables from revaluation of derivatives	8,669,621	7,705,709	88,686	875,226
Deposits and margin deposits	1,568,680	1,521,158		47,522
Cash and cash equivalents	121,238	43,596		77,642
Trade receivables	8,058,135	7,275,011	228,754	554,370
Loans granted	2,669,665			2,669,665

AS AT 31 DEC 2018

(in TCZK)

	Total	EU	Europe excl. the EU	Czech Republic
Financial assets	**13,759,866**	**8,936,652**	**135,208**	**4,688,006**
Receivables from revaluation of derivatives	4,068,999	3,087,408		981,591
Deposits and margin deposits	1,876,974	1,849,956		27,018
Cash and cash equivalents	138,445	38,577		99,868
Trade receivables	4,710,600	3,960,711	135,208	614,681
Loans granted	2,964,848			2,964,848

Offsetting of financial assets and financial liabilities

The following table summarises financial assets and liabilities which can be offset under legally enforceable master agreement on mutual offsetting, or similar agreement. However, as at 31 December 2019 and 31 December 2018, there was no offsetting in the accounts.

ASSETS AND LIABILITIES OFFSETTING

(in TCZK)

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Assets/ Liabilities from revaluation of derivatives	8,669,621	8,562,119	4,068,999	5,125,723
Deposits and margin deposits / Received deposits and margin deposits	1,568,680	1,466,613	1,876,974	2,297,512
Trade receivables / payables and other financial liabilities	8,058,135	9,446,390	4,710,600	5,686,308
Effect of master agreements on offsetting	(9,817,653)	(9,817,653)	(6,652,747)	(6,652,747)
Net value after offsetting under master agreements	**8,478,783**	**9,657,469**	**4,003,826**	**6,456,796**

The Company trades under EFET and ISDA master agreements. These agreements allow mutual offsetting of assets and liabilities in case of early termination of concluded contracts when the reason for early termination is the insolvency of a counterparty or the failure to meet contractual terms and conditions. In case of early termination, all concluded contracts are settled. Their mutual offsetting is directly included in the master agreement provisions or ensues from the provided guarantee.

IMPAIRMENT LOSSES

All financial assets are included in Level I.

CREDIT RISK – IMPAIRMENT OF FINANCIAL ASSETS

The Company creates loss allowances to trade receivables and other assets. The following loss allowances were created to the unpaid portion of receivables, based on the above methodology:

(in TCZK)

Loss allowances in line with IFRS 9 as at 1 January 2018, relating to trade receivables and other assets	**684**
Additions and utilisation in 2018	(460)
Loss allowances balance at 31 December 2018	**224**
Additions and utilisation in 2019	298
Balance of loss allowances as at 31 December 2019	**522**

AGEING STRUCTURE OF TRADE AND OTHER RECEIVABLES
AS AT THE REPORTING DATEI:

v tisících Kč

Gross trade receivables	31 Dec 2019	31 Dec 2018
Receivables within due date	8,055,930	4,710,376
Receivables up to 1 month past due	2,727	
Receivables between 1 to 3 months overdue		
Receivables between 4 to 12 months overdue		
Receivables over 12 months past due		
Total trade receivables	**8,058,657**	**4,710,376**

Impairment losses on financial assets at amortized cost at 31 December 2019, are calculated based on a new 3-stage model. Impairment losses from credit impaired financial assets relate either to trade receivables due from several customers which have already been impaired at the date of the application of a new 3-stage model or to receivables where events that have a detrimental impact on the estimated future cash flows of the asset have occurred. Remaining amount of impairment losses represents loss allowances at an amount equal to expected credit losses.

The Company calculates a collective loss allowance for trade receivables on the basis of a simplified approach based on historical provision matrix. Probability of default is taken from a historical provision matrix (set up separately by each component) with element of forward-looking information (the Company incorporates the following forward-looking information: GDP growth, unemployment rate, interest rates, change in stock market index). The resulting collective loss allowance was not significant as at 31 December 2019. The allowance for impairment in respect of financial assets is used to record impairment losses unless the Company is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written-off against the financial asset directly.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Company flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Company's liquidity risk management strategy.

The table below provides an analysis of financial liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest required repayment date is shown. Those liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

The Company is not exposed to any significant liquidity risk and does not suffer from any solvency issues. There is no concentration of liquidity risk. To ensure further reduction of liquidity risk, the Company has other credit lines at its disposal. For more information see Note 19.

Maturities of financial liabilities

In the tables below, net book value is identical to contractual cash flows (non-discounted). The amount of interest related to received bank loans is immaterial as it will be settled within 3 months. Contractual cash flows relating to liabilities from revaluation of derivatives represent their de facto nominal value which is described in detail in Note 11.

(in TCZK)

	Net book value	Total contractual cash flows	Under 3 months	3 months to 1 year	1–5 years	Undefined maturity
Liabilities at 31 Dec 2019						
Loans and borrowings – drawn portion	**410,281**	410,281	410,281			
Trade payables and other financial liabilities	**9,446,390**	9,447,301	8,075,562	722,854	648,885	
Received deposits and margin deposits	**1,466,613**	1,466,613				1,466,613
Liabilities from revaluation of derivatives	**8,562,119**	8,562,119	2,149,406	5,701,775	710,938	
Total	**19,885,403**	**19,886,314**	**10,635,249**	**6,424,629**	**1,359,823**	**1,466,613**

(in TCZK)

	Net book value	Total contractual cash flows	Under 3 months	3 months to 1 year	1–5 years	Undefined maturity
Liabilities at 31 Dec 2018						
Loans and borrowings – drawn portion						
Trade payables and other financial liabilities	**5,686,308**	5,687,675	4,934,374	725,256	28,045	
Received deposits and margin deposits	**2,297,512**	2,297,512				2,297,512
Liabilities from revaluation of derivatives	**5,125,723**	5,125,722	2,120,799	2,462,390	542,533	
Total	**13,109,543**	**13,110,909**	**7,055,173**	**3,187,646**	**570,578**	**2,297,512**

c) Interest Rate Risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-measure at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Company's interest rate exposure based on the contractual maturity date of its financial instruments. Assets and liabilities that are not subject to interest or are subject to fixed interest rate are not included in the following table.

The Company provided two loans to the EPH Group, and as stated above entered into two credit lines with banking institutions. The receivable relating to the loan provided to Energetický a průmyslový holding, a.s., has both fixed and variable part of the interest and is due within 1 year (the variable portion is linked to 3-month EURIBOR), and the receivable relating to the loan provided to EP Power Europe, a.s., is subject to a fixed interest rate and is due within 1 year. Loan liabilities include both fixed and variable interest portion. The variable portion is linked to 1-month EURIBOR. The maturity is 1 year for the Unicredit loan and 2 years for the Commerzbank loan.

The carrying amount of assets and liabilities which is dependent on the variable interest rate:

(in TCZK)

	Assets		Liabilities	
	2019	2018	2019	2018
Loans and borrowings	1,905,750	2,220,117	410,281	0
Total	**1,905,750**	**2,220,117**	**410,281**	**0**

Sensitivity analysis

The Company performs stress testing using a standardised interest rate shock, i.e. an immediate decrease/increase in interest rates by 1% along the whole yield curve is applied to the variable interest rate positions of the portfolio.

As at the reporting date, a change of 1% in market interest rates would have reduced profit by the amounts (shown in the table below) provided the drawn overdraft principal is drawn throughout a period of 1 year. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(in TCZK)

	31 Dec 2019	31 Dec 2018
	Profit/(loss)	Profit/(loss)
Increase in interest rates by 1%	14,955	22,201

A decrease of the interest rate by 1% as at the date of the financial statements would have had the equal but opposite effect provided all other variables remain constant.

d) Currency Risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other that the functional currencies of the Company. This means principally the EUR.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts between USD and EUR, most with a maturity of less than one year.

These contracts are also usually agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the functional currency against the foreign currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances at the single company level.

Overview of financial assets and liabilities by currency is presented in the table below:

AS AT 31 DEC 2019

(in TCZK)

	EUR	Other
Assets		
Trade receivables	7,607,427	442,206
Receivables from revaluation of derivatives	8,173,114	496,507
Deposits and margin deposits	1,503,510	17,682
Cash and cash equivalents	36,763	80,842
Loans granted	2,669,665	
	19,990,479	**1,037,237**
Payables		
Loans and borrowings	410,281	0
Trade payables and other financial liabilities	8,994,260	442,074
Received deposits and margin deposits	1,466,613	0
Liabilities from revaluation of derivatives	8,061,481	500,638
	18,932,634	**942,712**

AS AT 31 DEC 2018

(in TCZK)

	EUR	Other
Assets		
Trade receivables and other assets	4,213,964	488,091
Receivables from revaluation of derivatives	3,916,420	152,578
Deposits and margin deposits	1,837,519	0
Cash and cash equivalents	98,037	36,102
Loans granted	2,964,848	
	13,030,788	**676,771**
Liabilities		
Loans and borrowings	0	0
Trade payables and other financial liabilities	5,176,599	487,107
Received deposits and margin deposits	2,297,512	0
Liabilities from revaluation of derivatives	4,973,145	152,578
	12,447,256	**639,685**

CZK currencies are not included in this table and therefore the sums do not correspond to the values in the statement of financial position.

The following significant exchange rates applied during the period:

CZK

	2019		2018	
	Average rate	Exchange rate at the reporting date	Average rate	Exchange rate at the reporting date
EUR	25.672	25.41	25.643	25.725

Sensitivity analysis

A strengthening (weakening) of the Czech crown at the end of the reporting period (as indicated below), against the EUR would have increased (decreased) net assets by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably likely at the end of the reporting period. This analysis is based on the assumption that all other variables, namely interest rates, shall remain unchanged.

Effect (in TCZK)

	31 Dec 2019	31 Dec 2018
	Profit/(loss)	Profit/(loss)
EUR (5% strengthening)	52,892	29,177

e) Risk of changing prices of commodities

The Company is exposed to the risk related to changes in electricity, gas, emission rights, and other commodities' prices, which can have an impact on the expected profit margin. The Company aims to minimise negative impact of price changes on the profit margin and cash flows.

Commodity risk management strategies primarily depend on the Company's strategic needs arising from the Group's strategy, and from cash flow and liquidity options of the Company. In implementing the required strategies, a range of tools, procedures and techniques are used to ensure that the commodity is delivered at the specified time, in the specified place and at the optimum purchase price.

The Company has a strategic portfolio for commodity trading for the Group's needs. Commodities are traded focusing on acquisition price optimisation for the specified volume. The type of contract used for a specific commodity derives from the objective for which the commodity is traded. Futures contracts are used for financial hedging and mitigating the impact of changes in commodity prices, while forward contracts are primarily used for physical supplies of commodities. As EPH Group operates primarily abroad, commodities are traded on foreign OTC and stock exchange markets. However, focus is always on hedging through back-to back principle where the commodity is traded in the shortest possible period from the requirement of the Group companies.

Besides strategic portfolio, the Group also has a speculative portfolio, which is negligible in comparison with the volumes traded in the strategic portfolio. The speculative portfolio is strictly managed and fluctuations are monitored daily.

Both EP Commodities portfolios have strict risk limits defined for the maximum permitted size of an open position and VaR limits. The Company applies the following risk limits:

- daily historical VaR (99% reliability) is selected as an indicator of risk relating to financial instruments. The indicator represents the maximum potential reduction in fair value of contracts for a given reliability level
- calculation of volatility and correlations (between commodity prices) is based on historical 300-day time series
- EEX, ICIS Heren and ICE are used as sources of market prices

- the Company trades with physically settled commodities – electricity, emission rights and natural gas – and financially settled commodities electricity, natural gas, oil and coal:
  - The Company is active on the following electricity markets: UK, DE, FR, SK, CZ, HU, IT, AT.
  - The Company is active on the following gas markets: UK, DE, FR, SK, CZ, HU, IT, AT.
  - The Company also trades API 2 ARA coal Brent and WTI, and European emission rights.
  - As at 31 December 2019, VaR totalled TCZK (7,652), and as at 31 December 2018, TCZK (14,995).
- besides VaR limits, the Company applies position limits linked to individual risk factors to manage commodity risks and Stop loss limits restraining the maximum amount of loss in a given calendar year.

The Company does not apply hedge accounting in line with IFRS 9.

The carrying amount of assets and liabilities which is dependent on the commodity price:

Risk of changing prices of commodities

(in TCZK)

	Assets		Liabilities	
	2019	2018	2019	2018
Assets and liabilities from revaluation of derivatives	8,669,621	4,068,998	8,562,119	5,125,723

Apart from the above commodity OTC derivatives, the Company faces risks relating to concluded stock exchange commodity trades. For information about these contracts, refer to note 11. The risk of each contract is included in the specified amount of VaR..

f) Operational risk

Operational risk is the risk of loss arising from fraud, error, omission, inefficiency or system failure. A risk of this type arises in all operations and affects all businesses. Operational risk includes legal risk.

The primary responsibility for the implementation of controls to address operational risk lies with the Company's management. Generally applied standards cover the following areas:

- requirements for reconciliation and monitoring of transactions;
- identification of operational risk within the control system;
- obtaining overview of operational risk, allowing the Company to set the direction of steps and processes to limit these risks, as well as to make decisions with regard to:
  - accepting individual risks that are faced;
  - initiating processes to limit possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

g) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Company manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company is not subject to externally imposed capital requirements.

The Company also monitors its debt to adjusted capital ratio. At the end of the reporting period the ratio was as follows:

(in TCZK)

	31 Dec 2019	31 Dec 2018
Total interest-bearing liabilities	410,281	0
Less: cash and cash equivalents	121,238	138,445
Net debt	**289,043**	**(138,445)**
Total equity attributable to the equity holders	**1,221,709**	**825,263**
Debt to adjusted capital	**0.24**	**(0.17)**

30 Related parties

Definition of related parties

Relations with related parties are divided subsequently:

- Relations with the ultimate owner
- Relations with entities controlled by the ultimate owner
- Relations with joint ventures and associates of the ultimate owner.

a) The summary of outstanding balances with related parties as at 31 December 2019 and 31 December 2018 was as follows:

(in TCZK)

	Receivables	Payables	Receivables	Payables
Receivables and payables – related parties	2019	2019	2018	2018
Ultimate owner	0	0	0	0
Entities controlled by the ultimate owner	6,124,397	2,910,109	2,131,417	1,410,595
Associates of the ultimate owner	668,120	1,119,572	338,356	2,140,675
Total	**6,792,517**	**4,029,681**	**2,469,773**	**3,551,270**

For information on receivables and payables from derivatives revaluation towards related parties, refer to Note 11 Derivatives

b) Summary of transactions with related parties for 2019 and 2018

(in TCZK)

Transactions with related parties	Revenues 2019	Expenses 2019	Revenues 2018	Expenses 2018
Ultimate owner	0	0	0	0
Entities controlled by the ultimate owner	22,990,660	(16,587,135)	27,439,233	(10,162,789)
Associates of the ultimate owner	5,411,195	(6,417,339)	2,965,817	(3,154,699)
Total	**28,401,855**	**(23,004,474)**	**30,405,050**	**(13,317,488)**

All transactions were performed at the arm's length principle.

The summary includes all expenses and revenues with related parties excepting profit/loss from commodity derivatives for trading. For information on profit/loss from commodity derivatives for trading relating to related parties, refer to Note 24.

Transactions with the key members of the management

In 2019 and 2018, members of the board of directors and the supervisory board of EP Commodities, a.s., did not receive any significant monetary or non-monetary consideration relating to their position, excepting member of the board of directors who are at the same time top managers and whose emoluments are shown in the following table. Apart from members of the board of supervisors and supervisory board, employees at the "C" and "C-1" level are considered top managers.

Members of the statutory bodies and top managers	2019	2018
No. of employees	17	17
Wages and salaries including employer's contributions	49 223	42 656

31 Subsequent events

On 11 March 2020, the World Health Organisation declared the ongoing coronavirus outbreak a pandemic. On 12 March 2020, the government of the Czech Republic declared a state of emergency. Within few days, the spread of COVID-19 has caused a serious situation across the whole society and global economy. The Czech government has introduced several measures which has been gradually relaxed as at the date of the financial statements, including the termination of the state of emergency on 17 May 2020.

To ensure the Company's ability to continue as a going concern, the following measures have been implemented by the management. These include primarily implementation of work from home programme, rotational shifts at all workplaces, training on obeying strict preventative measures including social distancing, changes in work procedures, etc.

The Company's management has assessed the potential impact of COVID-19 on the Company. The Company concludes that the situation will not have a material effect on its financial situation and profit in 2020. However, due to the development in financial markets, there has been an increase in commodity contracts' volatility which resulted in additional requirements of energy stock exchanges on the amount of provided margin deposits. The Company is able to fulfil these requirements without any problems due to the below described increase in credit lines.

The Company's management monitors the situation and should the measures be renewed or become more stringent, it will react to mitigate any negative effects.

On 1 June 2020, the Company increased its credit line in Commerzbank from the original MEUR 30 to MEUR 70 – the credit is due on 18 June 2021. On 25 June 2020, the Company signed a new credit line with ING Bank of MEUR 100 – the credit is due on 23 June 2021.

Except for the matters described above, the Company's management is not aware of any other material subsequent events that could have an effect on the financial statements as at 31 December 2019.

Affidavit

To the best of our knowledge, the Annual Report, in exercising all reasonable due care, presents a true and fair view of the financial situation, business activities and economic results of EP Commodities, a.s. in 2019 and of the prospects for their futures development. No facts have been deliberately omitted from or biased in the Annual Report which could have altered its meaning.

Date	Statutory Board signatures
30. 6. 2020	**Miroslav Haško** Chairman of the Board of Directors **Daniel Pexidr** Member of the Board of Directors

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Independent Auditor's Report

to the Shareholder
of EP Commodities, a.s.

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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of EP Commodities, a.s.

Opinion

We have audited the accompanying individual financial statements of EP Commodities, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the individual financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying individual financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Statutory Auditor Responsible for the Engagement

Petr Kuna is the statutory auditor responsible for the audit of the financial statements of EP Commodities, a.s. as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague
3 July 2020

Signed by

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Petr Kuna
Director
Registration number 2476

www.epcommodities.cz